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NEW IRP5 SYSTEM FOR THE 2010 FILING SEASON WITH EXPLANATORY NOTES

89 Roodebloem Road,
Woodstock, Cape Town, 7925
PO Box 12391, Mill Street,
Cape Town, 8010

Tel + 27 21 447 3840
Fax + 27 021 447 2457
www.galbraithrushby.co.za
info@galbraithrushby.co.za

The current drive with SARS is to modernise the tax system through the use of eFiling and e@syFile. The focus has been on accurate, timely submissions, reducing non-compliance and errors in the submission process. This has reduced cost burdens on SARS as the taxpayer the taxpayers are electronically filing their returns and SARS has now redirected their staff to compliance review and not administrative issues.

The focus in 2008 shifted on the employers as SARS was now reliant on their submissions of accurate IRP5 information to prepare the income tax returns for the individuals. This process was strengthened in the 2009 submission with the introduction of hefty penalties for late submission. SARS have issued thousands of penalty letters to non-compliant employers.

Proposed amendments - 2010 filing season

The proposed amendments and new requirements for the 2010 filing season (March 2009 to February 2010) have been issued are available on the SARS website for detailed scrutiny. The new proposed amendments are:

- Certain information will become mandatory on the files that employers submit to SARS. This was introduced from a policy perspective in 2009, but it will be enforced from a system validation perspective in 2010.
- Enhancing the employee tax certificate [IRP5/IT3(a)] to include significantly more data – the complete break down of mandatory and optional information is as per Annexure A.

Proposed amendments - 2011 filing season

All fields become mandatory that were given a grace period in the 2010 cycle. Another key change for 2011 is that employers will be required to submit their reconciliations bi-annually

and not once a year (August 2010 and February 2011). This is also part of our preparation for administering the social security system

Overview of conflict areas

SARS have released, on the 11 December 2009, a revised copy of the revised copy of the IRP5 requirements for the 2010 tax year. The revision is the 7th revision to the guideline. The revision has made certain things that had previously been publicized as mandatory fields to relaxed validation. This means they will not be enforcing these for the 2010 tax season but it is almost a certainty they will take effect from 1 March 2010.

The revised guideline is available on the following link:

<http://www.sars.gov.za/Tools/Documents/DocumentDownload.asp?FileID=54169>

I have updated the schedule below into three columns, optional, relaxed validation and mandatory. Only the mandatory fields will be required for the 2010 IRP5 submission, the relaxed validation will most likely be required for the 2011 tax year.

Income tax number

This has now become a relaxed validation field on the IRP5. The previously release was that it was a mandatory field which in effect holds the employer liable to ensure that their employees have a tax number. This will most likely take effect from 1 March 2010 so it is advisable for everyone that should be registered for income tax to register for income tax.

Section 67(1) and section 67(2) of the Income Tax Act defines who must register for tax. In summary, any person who earns remuneration must be a registered taxpayer unless such person only is subject to SITE. The SITE threshold is R60 000, so anyone who works for a single employer who is in standard employment and earns less than R5000 per month and has no other income, is exempt from registration. I cannot think of any examples of who would be excluded from being a registered taxpayer and everyone should have a tax number, crew, artists, extra's, models and in-house staff should all get a tax number in the next 5 weeks.

The following are specific inclusions of who must be a registered tax payer:

- Anyone in non standard employment (25% tax tables)
- Anyone who earns more than R165 per day and is taxed according to the daily tax tables

- Anyone who earns more than R1 154 per week and is taxed according to the weekly tax tables
- Anyone who earns more than R5000 per month and is taxed according to the monthly tax tables.

SARS have acknowledged that many people would need to receive tax numbers. The revised guideline has given some reprieve to everyone to give them time to obtain tax numbers.

You will be able to submit the IRP5's without a tax number, a warning message will appear that this has not been included, but this will not stop the submission or have the submission rejected or cause any penalties.

From 1 March 2009 however every employer must ensure that all their employees, independent contractors and casual staff who meet the above criteria must have a tax number.

Bank details

Certain components of the bank details are mandatory fields but not all the fields. This have not been relaxed in the revised release. There are some exclusions to including the bank details, these are:

- If the employee is not paid via transfer. This is often the case when a person is paid in cash.
- When the employee is not paid directly or paid via an intermediary (third party payment). This is often the case in the film and media industry when the agent is paid, this option can be used and the employees bank details are then not required. If a production company pays a third party (crew agent, model agent, talent agent), the third party bank details can be used on the IRP5 as long as the third party bank details option is selected.

If the employee is paid directly and not through an agent or intermediary, the employees bank details are then required.

Home address and business address

This has now become a relaxed validation field on the IRP5. The previously release was that it was a mandatory field. This will most likely become a mandatory field from 1 March 2010 so it is advisable for everyone to start obtaining the home addresses of each of the people who would be receiving an IRP5. It is important to note that not all the details of the persons address are required, only specific aspects of are and certain aspects are optional, as detailed in the attached schedule.

SCHEDULE OF IRP5 REQUIREMENTS – 2010 TAX YEAR

	Mandatory	Relaxed validation	Optional
Employers Information			
Name or trading name of employer	✓		
PAYE reference number	✓		
SDL reference number (if registered)	✓		
UIF reference number (if registered)	✓		
Employer contact person	✓		
Employer contact number	✓		
Employer e-mail address			✓
Payroll software			✓
Transaction year	✓		
Period of reconciliation	✓		
Employer trade classification		✓	
Employer physical address <ul style="list-style-type: none"> • Unit number • Complex • Street number 			✓
Employers physical address <ul style="list-style-type: none"> • Street • Suburb / district • City / town • Postal code 	✓		
Employee's Information			
Certificate number	✓		
Type of certificate	✓		
Nature of person	✓		
Year of assessment	✓		
Employee surname	✓		
First two names	✓		
Initials	✓		
ID Number	✓		
Passport number (If no SA ID number exists)	✓		
Country of issue (If passport number is given)		✓	
Date of birth	✓		
Income tax reference number (* Note 1)		✓	
Contact e-mail			✓

Home telephone number			✓
Business telephone number		✓	
Fax number			✓
Cell number			✓
Employee physical address (business) <ul style="list-style-type: none"> • Unit number • Complex • Street number 			✓
Employees physical address (business) <ul style="list-style-type: none"> • Street • Suburb / district • City / town • Postal code 		✓	
Employee physical address (residential) <ul style="list-style-type: none"> • Unit number • Complex • Street number 			✓
Employees physical address (residential) <ul style="list-style-type: none"> • Street • Suburb / district • City / town • Postal code 		✓	
Employee postal address			✓
Employee number			✓
Date employed from	✓		
Date employed to	✓		
Pay periods in year of assessment	✓		
Pay periods worked	✓		
Directive number			✓
Employee bank account details (* Note 2) <ul style="list-style-type: none"> • Bank account type • Account number • Branch code 	✓		
Employee bank account details (* Note 2) <ul style="list-style-type: none"> • Bank name • Branch name 			✓