

Is it time for a PAYE health check?

All employers should consider doing a PAYE health check on their payroll because it is one of the main focus areas for SARS.

By [Ilsa Groenewald](#) ^{1 Jul 2015}



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A review would establish whether there were any payroll exposures, reveal the depth and nature of any risks detected and put the employer in an informed position to quantify and mitigate the threats.

This due diligence process would involve performing various checks and tests to establish the general health and state of the company's payroll.

The first step would be to gain an in-depth understanding of the various components of the employee remuneration, such as allowances, fringe benefits and reimbursements.

The next step would be to obtain a clear grasp of the funds relating to each component of the remuneration and their tax treatment from a PAYE, Skills Development Levy (SDL) and Unemployment Insurance Fund (UIF) contribution perspective.

Employers should then collate this information for the various categories of employees and the current tax treatment in respect of their remuneration.

These actions will provide a high level indication of whether each component is compliant from a PAYE, SDL and UIF perspective.

The final step would be to determine whether any remuneration is paid through the cash book or petty cash and whether these components were correctly disclosed and taxed.

A PAYE health check is a relatively time-consuming procedure but an essential one.

If employers appreciate the need for an exercise of this kind but don't have the time or resources to commit to it, they should consult a qualified tax practitioner who will perform the task cost-efficiently and thoroughly.

It is in the employer's best interests to be tax compliant and proactive in helping to create a culture of strong tax compliance in South Africa.

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