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PAYROLL PROCEDURE MANUAL

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1. PREAMBLE

Harry Gwala Development Agency (HGDA) has an obligation to run a well-managed and balanced payroll system with the purpose of fulfilling its legal obligations as the employer.

In order to give effect to this set of obligations and requirements a new generation of electronic payroll system will be implemented as a strategic choice of addressing all human capital requirements in relation to monthly and any ad hoc remuneration.

The Agency has found it appropriate to draw a balanced and informative payroll management procedure manual to be used by all key operational role players for the purpose of bringing about an economical efficient and effective payroll management practice.

This procedures manual is both comprehensive and easy to follow step by step guide designed to assist the payroll operators and supervisors to better perform their payroll processing and review functions with relative ease. The underlying purpose is to provide the user with the necessary informative tool that will enable him/her to take full ownership of the payroll function within their area of responsibilities.

2. PAYROLL MANUAL OBJECTIVES

- 2.1. To provide a constructive and meaningful set of requirements for managing the municipal payroll.
- 2.2. To serve as a blueprint for the efficient, timeous and effective payroll management.
- 2.3. To provide control measure for ensuring a correct and legally compliant payroll management.
- 2.4. To prevent and to counteract potential practices of fraud and corruption.
- 2.5. To provide an information platform for perusal by the payroll users and other interested parties.
- 2.6. To ensure that all important payroll management requirements are dealt with as required by law and good practice.

3. GENERAL PROVISIONS FOR PAYROLL IMPLEMENTATION

- 3.1. The payroll is a function located in both Corporate Services and Budget & Treasury Office.
- 3.2. It is a shared function necessitated by its complex nature and significance.
- 3.3. The Corporate Services Department is responsible for all the payroll aspects which deal with the human resources.
- 3.4. The Budget & Treasury Office will be responsible for the payroll aspects which deal with the payment of both salaries and benefits to employees as well as all third-party payroll related payments (this is after verification by Human Resources Unit);
- 3.5. All changes and updates effected through payroll e.g., medical aid increases and change of banking details are to be filed in employees' personal records.

- 3.6. All payments that are determined through employees' conditions of service must start from Human Resources Practitioner before handed over to the Budget & Treasury Office for processing.
- 3.7. The Corporate Services Department will be responsible for appointment and funding a dedicated post of a Human Resources Administrator whose key role will be management and implementation of all respective aspects of the payroll falling within the framework of payroll responsibilities for the Corporate Services Department.
- 3.8. The Budget & Treasury Office will be responsible for appointment and funding a post of Payroll Administration Specialist whose primary role will be payroll operation within the framework of payroll responsibilities of the Budget & Treasury Office.
- 3.9. There shall be a clear separation of duties and responsibilities assigned to these two positions with a view of avoiding overlapping and conflicting of roles.
- 3.10. The main purpose of the joint management and operation of the payroll by the two departments is to inject the necessary checks and balances in the reinforcing and control of the payroll.
- 3.11. The two departments shall have a joint responsibility to develop, plan and rejuvenate the payroll function in terms of the latest technological innovations and requirements in order to keep the Agency abreast with the latest developments in the field of payroll.

4. DUTIES AND RESPONSIBILITIES

4.1. Human Resources Practitioner

1. The primary responsibility of this post is to manage and maintain data in Human Resources Management Information System (HRMIS) and to report on various personnel related statistics, reports and trends to stakeholders.
2. The Human Resources Practitioner is charged with the responsibility to attend to the application of specific processes associated with updating the VIP System by:
3. Referring to letters of appointments/termination correspondence and adding/deleting members on the system.
4. Inserting changes to the remuneration structure and related parameters based on published adjustments and/ or internal policies.
5. Register new users, group users and supervisors' access in HRMIS.
6. Train and render support to users in use of the HRMIS.
7. Create, maintain and verify relevant personnel related statistics to stakeholders.

8. Manage day to day operations relevant to the area. In order to ensure system records are maintained and reflective of changes supporting accuracy in the interpretation and conversion of input data.
9. The Human Resources Practitioner is further charged with the responsibility to execute specific procedures and applications associated with the verification and processing HRMIS by
 - Checking information, making necessary adjustments and calculations prior to extracting and forwarding the salary reports and schedules for approval.
 - Printing, checking and distributing the salary advice notification to individual members.
 - Ensure integration of the HR System records to other Municipal Information Systems (i.e. the general ledger) and verifying journals;
 - Printing and distributing member's income tax certificates, reconciling, and seeking approval from the immediate superior prior to creating and forwarding electronic income tax data file to the Receiver of Revenue.
 - Printing and safe keeping of EMP 201 and 501 records.
 - Printing, checking and distributing reports to stakeholders.
 - To ensure the payroll system is efficiently administered in accordance with laid down procedures and guidelines in terms of the HRMIS.
10. The primary responsibility of the Financial Accountant is to update and maintain the payroll information system and to process salary payable to members, allowances and deductions applying laid down procedures to insert, adjust, reconcile and integrates pay data into schedules, reports and accounting systems.
11. The Financial Accountant is specifically charged with the responsibility to attend to the application of specific processes associated with updating the Payroll System parameters by:
12. Referring to letters of appointments/termination correspondence and adding/deleting members on the system.
13. Inserting changes to the remuneration structure and related parameters based on published adjustments and/ or internal policies.
14. Capturing approved budgetary provisions in respect of payroll expenses. To ensure system records are maintained and reflective of changes supporting accuracy in the interpretation and conversion of input data.
- 4.2 The Financial Accountant further executes procedures and applications associated with the verification and processing payroll information by:
 1. Inputting relevant data against individual fields referring to source documentation in respect of salaries, allowances, benefits, leave, industrial relations, training due to human capital of the Agency;
 2. Checking information, making adjustments and calculations prior to extracting and forwarding the salary reports and schedules for approval.
 3. Processing and payment of pro-rata bonuses.

4. Printing, checking, and distributing the salary advice notification to individual members;
5. Integrating pay system records to the general ledger, reconciling and correcting salary misallocations through the processing of relevant journals.
6. Preparing schedules to reflect statutory and other relevant returns, forwarding to the immediate superior for approval and submitting approved reconciled schedules to the respective institutions.
7. Printing and distributing member's income tax certificates, reconciling and seeking approval from the immediate superior prior to creating and forwarding electronic income tax data file to the Receiver of Revenue.
8. Printing of audit trials and forwarding same to Accountant: Income and Expenditure for review and verification to ensure the payroll system is efficiently administered in accordance with laid down procedures and guidelines.

4.3. Further Duties and responsibilities of the Financial Accountant

4.3.1. Processing of leave paid out

1. The Financial Accountant receives a schedule from the leave processing section (also part of the Human Resources Department) with a list of employees who have to be paid out for leave due to them either resulting from leave encashment, on termination of service, on death of an employee or any other internal arrangement approved by management.
2. The calculation of leave to be paid out is based on the number of annual leave days due to an employee at any given point in time multiplied by the current rate of pay for that particular employee. See example below:

Mr. Joseph Nhleko, employee number S006786 resigned from the employ of the Agency effective 30th of September 2008. On the date of resignation, he had accumulated 18 days of annual leave due to him. His normal monthly gross earnings at the time of resignation were R18 230.58. His leave pay would be calculated as follows:

Figure 6: Calculation of Leave Pay

Leave days due	Gross earnings		Daily Rate	Amount to be paid out (before tax)
	Monthly	Annual equivalent		
18 Days	R18 230.58	R218 766.96	R841.28	R15 143.00

The amount to be paid out will be subject to SITE/PAYE depending on the taxability level of Mr. Joseph Nhleko and the tax calculation will be treated as an annual payment-earning code 3605/PAYE code 3655 (on the IRP5 certificate). The daily rate is determined by dividing annual gross earnings by the total number of working days per annum (which is 260.04).

3. Stop further entry

4. At the end of each payroll month processing the Financial Accountant shall ensure that he/she maintains 'stop further entry' function on VIP to prevent any further processing of payroll entries on VIP once payroll for the month is closed.

5. PAYROLL CYCLE

5.1. Monthly Payroll Processing

1. All employees shall submit their payroll inputs to their relevant Departmental PA's.
2. All payroll inputs shall be submitted by the Departmental PAs to the Human Resources Department.
3. All Departmental payroll inputs must be submitted in a prescribed form certified by the relevant Manager and accompanied by all S&T claims; overtime; standby and or any other emoluments.
4. No payroll inputs shall be submitted to either the Financial Accountant.
5. First cut-off date for submission of payroll inputs to the Human Resources Administrator shall be the 10th of the month or any day before should the 5th of the month fall on a non-working day;
6. The Human Resources Administrator shall then capture and organise all the submitted payroll inputs from the 10th to the 15th of the month.
7. All consolidated and well calculated payroll input will then be captured and submitted to the Financial Accountant in the Budget & Treasury Department for further processing.
8. The Financial Accountant shall then process the input given by capturing and making necessary adjustments on the system with a view of ensuring that all payments and deductions are done as per the payroll input given.
9. All payroll input is to be submitted through the office of Human Resources Administrator and no input shall be furnished directly to the Financial Accountant.
10. Any payroll input that has missed the deadline shall be reserved for processing in the following month of business.
11. All claims within a particular financial year to be claimed before year end month, which is June of each year.
12. Maximum period of claims shall be two months.
13. All emoluments including but not limited to allowances, salaries, leave pay, exit pay, back pay, subsistence and travel claims, standby allowances and shift allowances shall be paid through the payroll on a monthly basis with no exception;
14. On the 15th of each month draft payslips shall be printed by the Human Resources Administrator and distributed by the Human Resources Administrator;

15. On the 15th of each month a comprehensive remuneration lists will be forwarded to all Heads of Departments and the CEO for endorsement within a period of two days by the Human Resources Administrator;
16. A supplementary input sheet may be submitted by the Human Resources Administrator for payment of certain things or transacting any other matter arising from the queries raised by the respective employees and or omissions in the main payroll preparation;
17. The draft payroll may then be amended prior to finalisation provided such supplementary payroll input is submitted prior to the 20th of the month.
18. Payslips of the earners which do not require any changes will then be treated as final payslips.
19. After the 20th of the month but not later than 22rd the Financial Accountant shall then produce final payroll reports including final payslips for the affected earners. The payroll reports to be produced shall include the following:
 - i) Company Reconciliation;
 - ii) Payroll Register;
 - iii) Remuneration List;
 - iv) Variance Report;
 - v) Audit Trial;
 - vi) ID Query; and
 - vii) Bank Account Query.
20. The above reports shall be signed by the following HGDA Officials for verification and approval:
 - i) Corporate Services Manager
 - ii) Financial Accountant
 - iii) Chief Financial Officer
 - iv) Chief Executive Officer
21. The payment for the transfer of salaries to the bank shall be authorised by the appointed signatories and this should happen prior to the 25th of the month which is the agency's pay day;
22. The Financial Accountant shall then immediately after the 25th prepare the schedules of all third- party payments requiring processing and payment before or on the 30th of each payroll month.

23. The Financial Accountant shall also prepare any statutory-related schedules for third party payments and ensure that payments are done before the 7th of each month following the payroll month.
24. All payments shall be accompanied by the relevant schedules as remittance advices to the third parties.
25. After the final close of payroll, the HR Administrator shall do two types of backups on the 1st of each month on the computer C:drive as well as on an external hard drive;
26. The external hard drive shall be kept within the Corporate Services Section or authorised practitioner or the CEO for safekeeping under locked key for safety purposes.
27. Any deadline date falling on a non-working day, the preceding working day immediately following that date will then become the deadline. Should any date of the month mentioned on this manual fall on a weekend, public holiday or any non-working day an immediate working day preceding such date will apply as deadline.

6. FILING

- 6.1. The Human Resources Administrator shall be responsible for filing of all copies of the payroll input submitted to his or her office.
- 6.2. All information pertaining to personnel changes e.g., change of banking details, etc. must be kept on employee personal file under the custodianship of the Human Resources Administrator.
- 6.3. The Human Resources Administrator shall also be responsible for filing consolidated printouts of payroll input.
- 6.4. The Human Resources Administrator is responsible for keeping uncollected original copies of payslips.
- 6.5. The Human Resources Administrator will also be responsible for the uncollected copies of IRP5 certificates.
- 6.6. The Financial Accountant will be responsible for keeping original copies of master payroll reports and copies of all third-party payment schedules, copies of payslips, copies of IRP5 certificates and proof of payment of salaries and all third payments.
- 6.7. The Financial Accountant shall ensure that all the records are properly kept in an orderly manner and systematic fashion for easy access.

7. ANNUAL RESPONSIBILITIES

- 7.1. The Financial Accountant will be responsible for the production of Tax Year End Reports.
- 7.2. This shall be saved on an external hard drive.
- 7.3. The compiled electronic information will be submitted to SARS before the stipulated deadline.
- 7.4. Once the Year End Tax Report has been accepted by SARS the IRP5 certificates will be produced and printed within 10 days after approval of Year End Tax Reports by SARS.
- 7.5. The Human Resources Administrator will be responsible for distribution of IRP5 certificates to all the members of staff.
- 7.6. All employees will be required to sign for the receipt of the IRP5 certificates.

8. PAYROLL PROCESSING CHECKLIST

Figure 7: VIP Payroll Processing Checklist

PAYROLL PROCESSING CHECKLIST			
STEP	ACTION	VIP MENU OPTION	STATUS
1	PREPARATION		
	Check the processing date of the system Collect and check input documentation: <ul style="list-style-type: none"> • standby claim form; • Salary • Reimbursements; • S&T Claims • deductions • Leave input. 	Reports Overtime & increases	
	CHANGES TO THE PAYROLL SYSTEM SETUP		

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3	ADD NEW EMPLOYEES FOR THE CURRENT PERIOD		
	Follow the Add New Employee Cycle o Basic Employee Information Screen o Leave Days Screen o Employee Linking Screen o Increase Screen o Payslip Screen o Equity and skills	Employee Add New Employee	
4	INPUT FOR THE CURRENT PERIOD		
	Change Fixed Employee Information Update personal details Act on payroll input documentation Increases Current & Future Increases Global Increases Global Linking to Methods of Calculation Individual Earnings for the Current Period Enter/Change/Link any Fixed or Once Off Earnings	Employee Change Employee Payroll Payslip Screen Employee MEM Screen Payroll Payslip Screen Employee INC Screen Payroll Global Increases Payroll Global Activation o Methods of Calculation Payroll Payslip Screen Earnings Tab	

	Individual Deductions for the Current Period Enter/Change/Link any Auto or Amount Deductions e.g. Pension Medical Aid Garnishee Orders	Payroll Payslip Screen Deductions Tab	
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	Batch Import Provision for Tax on Annual Bonus (This must be revised annually in March)	Interfaces Import Data Batches for Payroll Payroll Payslip Screen Employee Tax Screen	
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	Company Contributions Fringe Benefits Activate Leave Pay	Payroll Payslip Screen Comp Contr.Tab Payroll Payslip Screen oPerks Tax Tab Payroll Payslip Screen Leave Pay	
5	TERMINATIONS		

	<p>Terminate the employee's service</p> <p>Change the Employment Status Enter the Termination Date Process final payslip</p> <p>Ensure the following is done before final termination of an employee:</p> <ul style="list-style-type: none"> o Pro-rata salary, bonus ,etc; oPay out leave due on termination;oCheck if any outstanding loans/savings;oPay any other earnings/deductions; <p>Activate Early Pay(EP)</p>	<p>Employee</p> <p>Terminate Service/</p> <p>Change Employee</p> <p>Payroll</p> <p>Payslip Screen</p>	
6	STOP FURTHER ENTRY AND CHECK INPUT		
	<p>Stop Further Entry Company</p> <p>Stop Further Entry</p> <p>Check Input for the Current Period</p> <p>Reports Make Payroll Reports such as Transaction List; Maintenance Reports</p> <ul style="list-style-type: none"> o Variance Report (Pre-payment) <ul style="list-style-type: none"> Deductions List; Earnings & Deductions Report (for overtime); <ul style="list-style-type: none"> • Leave Report; Miscellaneous 	<p>& Earnings &by MOC;oHours Loans Report.</p>	
7	PRINT PAYSLIPS AND REPORTS		

	<p>Print Employee Payslips</p> <p>Print Reports</p> <p>Basic/standard reports to be printed at end of every month:</p> <ul style="list-style-type: none"> • Company Reconciliation • Earnings & Deductions List; • EMP201 Report; • Pay Register Reports (Current & Previous Months); • Variance Report; • Audit Trial • ID Query • Bank Account Query <p>Download Reports and create ASCII files, if</p>	<p>Payroll</p> <p>Payslip Print</p> <p>Reports o</p> <p>Reports&</p> <p>Maintenance</p> <p>Reports</p>	
	required	<p>Reports & Maintenance</p> <p>Print Reports (choose the ASCII option)</p> <p>Open the file in Excel</p>	
8	PAY EMPLOYEES		

	<p>Pay Methods: ACB Export</p> <p>Ensure Employee Banking Details are correct Export Data</p> <p>ACB Payroll Data Bank List</p> <p>Ensure bank details of employees are correct Reports & Maintenance Cheque</p> <p>Write out cheques or print from VIP Payroll</p>	<p>Interfaces</p> <p>Reports</p> <p>Cheque Print</p>	
9	RECONCILIATION&PAYMENTS TO EXTERNAL PARTIES		

	<p>Payments to External Parties:</p> <p>Description: Report:</p> <p>Tax,UIF,SDL EMP201</p> <p>Garnishee Orders</p> <p>External Pmts Medical Aid E&D</p> <p>List Pension/Provident E&D</p> <p>List Use the following reports for purposes of</p> <p>Reconciliation:</p> <p>12 Months Report;</p> <p>Variance Report;</p> <p>E&D List;</p> <p>External Payments Report</p>		
10	EXPORTS		

	General Ledger export Interfaces Export Data General Ledger UIF Submission	Reports Reports & Maintenance (UIF Submit Report)	
11	BACKUP		
	Interim Backups Interim backups should preferably be taken		
	at weekly intervals to avoid a risk of losing significant amounts of data should anything faulty occurs on the system Full Backup Full back up must be taken at the end of every pay period	Utilities Backup Utilities Backup	
12	START OF PERIOD		
	End off the current period and begin the new period Rebuild File Index	Utilities Start new period Utilities Re-index Files	
The last two steps above will mark the end of the payroll cycle for a current period and will prepare you for a new period cycle in which the routine steps as detailed above will have to be repeated.			

9.THE STATUTORY ASPECT OF PAYROLL

9.1. Income Tax

Remuneration earned is in terms of the Income Tax Act subject to direct taxation in the form of SITE and PAYE. SITE is a form of employees' tax that is applicable only on the annualised net remuneration up to R120 000. The determination of SITE is however done at the end of the tax period. Where an employee's net remuneration is R120 000 or less only SITE is payable and there is no PAYE obligation. If the net remuneration for the year exceeds R120 000, employee's tax will comprise both SITE and PAYE. The employer has a duty to ensure that the calculation

of tax is strictly in terms of the Act and in accordance with the annual tax Figures published by SARS from tax year to tax year, in this instance using the 2010 tax Figures. While in the case of HGDA tax calculation is automatically computed by VIP Payroll system, it is however vital for the Senior Financial Accountant to be able to undertake manual tax calculation, both from the point of view of ensuring an independent check on the system as well as to enable him or her to be in a position to handle tax related queries from employees. The Agency is obliged to withhold employees' tax and pay such to South African Revenue Services (SARS) within seven (7) days after the end of the month. Should payment not be made within the required time, the act makes a provision that SARS may impose a penalty of 10% of the amount owing. Where the Agency fails to withhold employees' tax the act stipulates that the Agency (in its capacity as the employer) becomes personally liable for the payment of such tax to SARS and should this payment not be made the penalty rule will apply accordingly.

1. Taxation of travel allowances

The Income Tax Act provides for a 40% tax relief in respect of taxation of travel allowances. This effectively means that in the calculation of taxable income one needs to include only 60% of the travel allowance.

2. Method of PAYE calculation

The VIP system calculates PAYE (tax) on an annual basis versus on a monthly basis. In other words, at any given point in time the system adds earnings to-date which could be earnings for a month, three months, six months etc; it annualises these earnings to 12 month earnings; calculates annual tax less rebates; converts annual tax back to tax for the number of months to date; looks to see tax calculated and deducted prior to including the current month; deducts such tax to the previous month end from the tax to-date (inclusive of the current month) and that becomes tax for the current month. Due to this the tax amount from one month to the next will not quite be the same; however, if there are no changes in earnings or allowable deductions from one month to the next, the tax level should remain relatively constant.

Tip:

Tax Figures otherwise used to calculate an employee's tax are built in the VIP Payroll System and they are updated annually after completion of the tax reconciliation for the previous tax year. The tax reconciliation and update processes are usually carried out by VIP Consultants.

In some instances, one may be required to perform manual tax calculations either to verify system generated tax computations or in any other special circumstances. In this case one may either use manual tax

Figures issued by SARS through EMP10 Booklet or make use of a Tax Calculator. The Tax

Calculator is an Excel based Calculator one first needs to manually determine an employee's taxable earnings amount, inputs this template that is populated with tax Figures. When one uses the Tax amount into the Tax Calculator and then execute program for calculation. The Tax Calculator then produces necessary tax calculations.

1.Example of manual tax calculation James Mahlaba, Waste Removal Foreman in Technical Services Department earns a monthly basic salary of R9 875.05. For the month of August 2009, he had an overtime amounting to R985.36 and contributes R740.63 towards pension fund. Munik Sikhangane a Revenue Accountant within the Finance Department earns a monthly basic salary of R18 910.45. He gets a monthly vehicle allowance of R4 875.00 and contributes R1 418.28 towards government employee pension fund. Below is the calculation of their tax:

Figure 1

	James Mahlaba	Munik Sikhangane
BASIC SALARY	R9,875.05	R18,910.45
ADD OVERTIME	R985.36	-
ADD MV ALLOW (60%)	-	R2,925.00
LESS PENSION	R740.63	R1,418.28
TAXABLE EARNINGS	R10,119.78	R20,417.17

ANNUAL EQUIVALENT

R121,437.36

R245,006.04

Figure 2: Manual Tax Calculation

Figure 2: Manual Tax Calculation

Tax calculation for James Mahlaba

Annual Taxable Income

Bracket		Rate	Tax
122,000	121,437	-	18% 21,858.72
195,000	-	21,960	25% -
270,000	-	40,210	30% -
380,000	-	62,710	35% -
490,000	-	101,210	38% -
-	-	143,040	40%

Figure 3: Manual Tax Calculation

Tax calculation for Munik Sikhangane				
Annual Taxable Income		245,006.04		
Bracket			Rate	Tax
122,000	-	-	18%	-
195,000	-	21,960	25%	-
270,000	245,006	40,210	30%	55,211.81
380,000	-	62,710	35%	-
490,000	-	101,210	38%	-
-	-	143,010	40%	-
Tax before rebate				55,211.81
Primary Rebate				(8,280.00)
PAYROLL PROCEDURE MANUAL OF THE GREATER KOKSTAD MUNICIPALITY				
Tax after rebate				46,931.81
				AUGUST 2010
Tax per month				3,910.98

9.1.3. Unemployment Insurance Fund (UIF)

9.1.3.1. This is a compulsory contribution to fund unemployment benefits,

9.1.3.2. The contribution is deducted from the remuneration payable to the employee (i.e. Basic salary) and the employer has an obligation to contribute to the fund on behalf of the employee an amount equivalent to the employee's contribution;

9.1.3.3. The total contribution to the fund equals both the contribution of the employee and that of the employer;

In enforcing the obligation on the employer to deduct UIF contributions from employees' remuneration and paying over such contributions, Section 4 (a) of the Unemployment Insurance Contributions Act (UIC Act, 2002) stipulates that where an amount of an employee's contribution which has been deducted or withheld by an employer in terms of this section has not been paid over to the Commissioner or the Unemployment Insurance Commissioner, as the case may be, the employer and every director and

shareholder of that company who controls or is regularly involved in the management of the company's overall financial affairs shall be personally liable for the payment of that amount to the Commissioner or the Unemployment Insurance Commissioner and for any penalty contemplated in section 13(2) which may be imposed in respect of that payment. SARS is charged with the responsibility of administering contributions on behalf of the Unemployment Insurance Commissioner.

1. Calculation of UIF
2. The UIF contribution is calculated at 1% of basic salary;
3. A limit otherwise referred to as a ceiling amount is applied.

The rate of 1% only applies to the maximum of the ceiling amount and once the calculation is in excess of this ceiling the contribution will be limited to the ceiling amount. The ceiling amount is determined from time to time by the Minister of Finance by notice in the Gazette, after consultation with the Minister of Labour and the Unemployment Insurance Commissioner usually at yearly intervals.

Example of UIF calculation:

James Mahlaba, Waste Removal Foreman in Technical Services Department earns a monthly basic salary of R9 875.05 and Munik Sikhangane a Revenue Accountant within the Finance Department earns a monthly basic salary of R18.

Below is the calculation of their contribution to UIF including the Council contribution:

Figure 4

BASIC			CONTRIBUTION		
SALARY	UIF RATE		EMPLOYEE	COUNCIL	TOTAL
James Mahlaba	R9,875.05	1%	R98.75	R 98.75	R197.50
Munik Sikhangane	R18,910.45	R124.78	R124.78	R124.78	R249.56

From the above example the user will notice that while calculation for James Mahlaba's UIF is 1% of his basic salary the calculation of Munik Sikhangane's UIF contribution is different. This is simply because his basic salary is more than the ceiling amount which in this case is R12,478.00. The amount payable over to SARS in the above example is the total UIF contribution (i.e. combination of Employee and Council contribution) which is R447.06.

Tip:

Once the determination of the ceiling amount has been undertaken and the notice

gazetted thereon, VIP payroll will send you a software update to effect necessary changes in your payroll system. Kindly follow software update instructions properly in this regard.

9.1.4. Skills Development Levy(SDL)

This is a compulsory levy scheme for the purposes of funding education and training as envisaged in the Skills Development Act of 1998. The levy is calculated at 1% of taxable earnings and is only cost to company, meaning that employee does not contribute directly to the fund.

10.VIP PAYROLL SYSTEM

Harry Gwala Development Agency uses VIP Payroll System as its primary payroll system. It is therefore essential that the users are adequately oriented with the system and our assumption is that by now all necessary interventions would have been done to cover this aspect.

For purposes of this procedure manual, the VIP Payroll System would only be discussed in terms of the key features which the user needs to take cognisance of and the critical processes and procedures to be followed when processing payroll.

The user is otherwise advised to make reference to either software manual or VIP Payroll raining manual for in-depth consultation on how the system operates.

10.1. Key Features

The Method of linking screen:

Method of linking is a pre-defined formula according to which earnings, deductions, calculation fields or company contributions can calculate.

1. The method of calculation screen is used to link employees to these pre-defined methods that are entered in VIP and used to calculate certain earnings/ deductions. This works as a time saving function as fewer manual calculations are required by the user when processing the payroll.
2. Employees must only be linked to those methods that are applicable to them.
3. When adding a new employee, the user needs to double-click on the MC field next to the applicable earning or deduction and select the relevant method of calculation.

10.2. Routing Options:

These are useful shortcuts a user can use to route to several other screens and options by using different routing codes. To execute a certain function these codes are entered in the routing block at the bottom of the screen.

Figure 8: List of commonly used routing codes

IS	Basic Employee Information
PS	Payslip Screen
XS	Calculation Screen
TOT	Company Totals
COST	Cost Centre Screen
GCAL	General Recalculation
HRS	Hours Screen
INC	Increase Screen
MC	Methods of Calculation Screen
.L	List by Earning/Deduction
NMO	Own Screen
CC	Company Contributions
SW	Shifts Worked Screen
TAX	Tax Screen
SC	Salary Cost Screen
PT	Perks Tax Screen(Taxable Value)
IC	Industrial Council

BCEA	BCEA Screen
MHS	Medical History Screen
LD	Leave Days Screen
MOC	Link Employee to relevant MOC Screen
.B	Batch Mode Input

10.3. Termination of service on VIP

1. The Leave Section/Unit maintains a list of terminations which is sent to the Financial Accountant on a monthly basis before payroll cut-off date; The Financial Accountant, after satisfying himself/herself on the authenticity of the list, terminates the service of the respective employees on the system;

2. Final leave pay-out shall be paid during the month following that of termination and only after duly completed termination form has been lodged with the payroll office;
3. When an employee's service is terminated the employment status on the Basic Employee Information Screen must be changed accordingly.
4. An employee must be terminated before the final payslip is printed. This will ensure that the final tax is reflected correctly on his/her payslip. Once the final tax calculation is done on VIP no further adjustments are to be made on the system. Before an employee can be finally terminated it should be ensured that the calculations of final pay have been correctly done.
5. These calculations include amongst other things the following:
 - a). Do pro-rata earnings if necessary (including pro rata annual bonus),etc.;
 - b). Calculate overtime during last period;
 - c). Pay for annual leave due to or owed by employee;
 - d). If there are any loans outstanding deduct full outstanding balance,
 - e). Deduct any other monetary commitments;
 - f). Calculate final tax and SITE/PAYE

ANNEXURE "A"

HGDA: MONTHLY CERTIFICATION FOR PAYMENT
MONTHLY CERTIFICATION OF PAY
CORPORATE SERVICES

Date of Report:

Month and Year:

Name	Appointments	Death	Resignation	Dismissal	Absconded	Overtime / Time-off	Other (Specify)	Signature

Verified by the HRP : _____ Date

Signed by CFO : _____ Date