HRTorQue Reporter
May 2024

Table of contents

Should you need any further information on these topics, please contact us at info@hrtorque.co.za.

Top of page

1. Should I outsource my payroll?

Author: Jonty Aitken

We are often asked by clients or potential clients if they should outsource their payroll. The answer, as you might imagine, is not an easy one. In this article we examine some of the key reasons why employers should outsource their payroll and the circumstances in which keeping it in-house might be better. We also take a look at the reasons often used for changing payroll, but which are misleading as they can be achieved no matter where your payroll is processed.

Ultimately, the key reasons for outsourcing your payroll are cost and risk, but the nature of the system, access to trained staff and reporting considerations also play a part.

Cost

Cost is usually the deciding factor for an employer looking to outsource payroll. However, in some situations an outsourced solution may not reduce cost. For example, a large company may be able to build the necessary skills in-house to provide a professional payroll solution at a reasonable cost. On the other end of the scale, very small companies may find their payroll is simple enough for an office manager or accountant to run (and seeing as they are also doing other jobs, the cost is already sunk – but be aware of the risk.) Where we see many employers getting this decision-making process wrong, is when they don't consider the full cost of running payroll. Keep in mind that you need to include the following:

- Payroll software licensing costs (including ESS)
- Payroll software support costs
- Payroll staff salary and admin costs (including overheads for laptops etc.)
- Payroll staff training
- Transaction costs for making payroll payments
- Despatch and printing
- Costs of getting finance involved in payroll for reporting and reconciliations
- The cost of getting it wrong – penalties and audit costs from SARS, the Department of Labour and the Compensation Fund, as well as employee unhappiness when paid incorrectly

Risk

Often seen as an intangible, this is the biggest reason we advocate for outsourcing your payroll. Employers often decide to outsource their payroll because they are already facing one of these risks (such as an audit or key person leaving). In theory, the outsourced service provider should be better able to manage these risks because of their scale (depending on the outsourcer).

Risk falls into a number of buckets:

- South African legislation and practice (how it is implemented by government entities) is complex. In-house personnel are expected to keep up to speed with software changes and legislation and practical implementation for:
    - The Income Tax Act and SARS practice notes
    - Both UIF acts
    - The Basic Conditions of Employment Act and Labour Relations Act
    - The Employment Equity Act
    - The Skills Development Act
    - DTI guidance as it relates to BEE
    - Court cases and decisions by CCMA, the Labour Court and other court decisions
    - Compensation for Occupational Injuries and Diseases Act
    - Protection of Personal Information Act

- Over-reliance on key staff: Often employers are heavily reliant on one key payroll person. This can be for many legacy reasons. Irrespective, the employer faces significant risk should something happen to this person or if they leave or retire. Payroll staff are also usually under significant pressure and stress and not always highly paid. This leads to an increased turnover risk for the employer.

- Over-reliance on a system: Should something happen to the system on which your payroll is processed, you will have to make some tough decisions to make a change at short notice. While potentially a low probability event, this has significant repercussions for your business.

- Processors vs those who actually understand payroll: In our experience, payroll processing staff generally fall into two categories. 1) Those who are process orientated and take input each month and process it through the system to generate payslips, but who are reliant on external consultants to make changes to the payroll, and 2) those who actually know how the system calculates things and can make changes to fix problems. If you are in the second category, great. But if you are in the former, then be careful. Processors don't know what is under the hood of the car and what makes it run. This also means they don't know what can go wrong and would not be able to recognise an error and fix it without external support.

- Confidentiality: It is easier to maintain confidentiality if less people in your organisation see payroll data.

- Controls: Through scale, outsourcers are usually better able to implement important internal controls, but this should always be tested as it is not a given.

Reporting

Many employers are not optimising their reporting from their payroll system. Outsourcing might not necessarily solve this unless the employer makes this a key component of the outsource solution.

We usually see problems in the following reporting areas:

- Payroll is processed by one staff member and they are the only person with access/knowledge of the payroll system. This creates a bottleneck and a situation where non-standard yet vital reports are sometimes not requested by management because they know it will take too long to get.
- Payroll checking: The payroll is signed off by a manager, but the reports they are given are too long or don't focus on the key issues, making it very difficult to check payroll properly. This increases the risk of mistakes.
- Data for decision making: Payroll is a significant cost for most businesses, yet we seldom see employers using the valuable time and attendance and payroll data to identify areas where efficiencies can be found and value added.

Access to good staff

The ability to source good staff is dependent on the system you are on (payroll candidates tend to have experience on specific systems), your budget for training and your willingness to send staff on training courses. If you have the right formula with a great team behind you, then outsourcing would not necessarily add anything to this. The best way to test this is to do a payroll review and see whether there are any gaps. If you are happy with your team's performance (meeting deadlines, accuracy in processing and reporting), and the payroll review doesn't identify any major problems, then you are in a great position.

Payroll system

Moving to the right system is sometimes used as a reason for changing payroll. This is a bit misleading because in practice an employer can change system without outsourcing. It is also a common mistake to think the right system can fix anything. A successful tool requires three things: the right system, the right people using it and the right process.

The key considerations when looking at a system (excluding cost) should be:

- Which is the right system for us? This can often be a difficult question in its own right. When you are being sold the system, it will seem like it can do no wrong. However, often the reality is a bit different. Implementation is key and it is important for an employer to do a walk-through to identify where internal processes will need to adapt to the new system, and where the system may not be able to cater for a specific requirement.
- Training of staff: Whoever is going to run the payroll needs to be trained on the new system. Provided your staff are capable, there is no reason they cannot be trained on it. However, there will be risk for the first six months as they are likely to make mistakes. This is natural in a change process.
- Functionality: If you are not going to use the functionality a system offers, then paying a premium for it might not be worth the cost. That said, if you aren't using the best parts of the system you should be asking yourself why. They are there for a reason, and your business will potentially gain a lot if used effectively.

As can be seen, the considerations above are quite comprehensive, with numerous issues to consider. HRTorQue can help you make the right decision of whether to outsource or not with a number of our services:

- Payroll review: We can review your existing payroll and team to identify any risk areas
- Payroll support: If you are worried about continuity of staff, we can provide payroll support services to get to know your business in case of any loss of key personnel
- System assessment: HRTorQue works on multiple systems. We would be happy to showcase the merits of different systems to help you decide which would be best for your business
- System change management: Our trained staff can help you implement a system change including setting up the payroll and training your staff
- Our finance and payroll teams are able to work with you to optimise your reporting and reconciliations (HR, payroll and finance)

Should you decide to take the outsource route, we would be more than happy to partner with you. Contact us on info@hrtorque.co.za if you would like to chat about your options.

Top of page

2. Dealing with CCMA claims shouldn't be a headache

Author: Kalleigh Gore

Are you tired of having to deal with employee claims or complaints via the CCMA while you are trying to run your business smoothly? We get it. Having to attend the CCMA and navigate the process can feel like a maze, especially for the employer without the in-house expertise. Plus, it is particularly stressful when you cannot bring legal representation during the conciliation phase.

Luckily, this is where we come in. At HRTorQue, we have teamed up with seasoned labour relations professionals to assist you by representing you at conciliations and arbitrations.

With our monthly retainers, representation becomes a real option and takes away the hassle of having to attend the CCMA personally, leaving you free to focus on your business.

At HRTorQue we help businesses thrive by supporting you with all things HR. Our retainers not only cover assistance with representation, but also include specialised services tailored to your exact needs, such as recruitment, performance management, HR policy development and employee training.

Get in touch today to learn more.

Top of page

3. Unlocking the potential of HR AI in the South African context: Embracing the human element

Author: David King, Learning and Development Activist

In recent years, South Africa has witnessed a rapid evolution in its HR landscape, driven by technological advancements and changing workforce dynamics. The integration of Artificial Intelligence (AI) in Human Resources (HR) has emerged as a significant trend, offering both opportunities and challenges unique to the South African reality. However, the application of it is MIA!

Navigating South African realities

South Africa's HR ecosystem is characterised by its rich diversity, complex socio-economic dynamics and legacy of inequality. Against this backdrop, the adoption of HR AI must be tailored to address the specific challenges and opportunities faced by organisations in the country today.

One of the key challenges is the digital divide, which exacerbates existing disparities in access to technology and digital literacy. As organisations embrace HR AI, they must ensure equitable access and provide training and support to ensure all employees can benefit from these technologies.

Moreover, South Africa's labour market is characterised by high unemployment rates and skills shortages in critical sectors. AI can play a vital role in addressing these challenges by facilitating more efficient talent acquisition processes, identifying skills gaps, and enabling targeted training and development initiatives to upskill the workforce.

Dispelling myths and fears

In South Africa, as elsewhere, myths and fears surround the integration of AI in HR. For one, there is apprehension about job losses, particularly among entry-level and administrative roles. However, studies suggest that AI is more likely to augment existing roles than replace them entirely. In South Africa's context, where human capital is a cornerstone of economic development, HR AI can empower HR professionals to focus on strategic initiatives that drive organisational growth and employee well-being.

Another concern is the potential for bias in AI-driven decision-making, particularly given South Africa's history of systemic discrimination. However, by leveraging diverse datasets and implementing robust oversight mechanisms, organisations can mitigate bias and ensure fairness in HR AI practices.

Embracing AI as an enabler

In South Africa, where organisations grapple with challenges such as skills shortages, economic uncertainty and evolving workforce expectations, HR AI presents an opportunity to enhance efficiency, agility and employee engagement. By automating routine tasks and leveraging predictive analytics, AI can enable businesses to make data-driven decisions that optimise workforce performance and foster a culture of continuous improvement.

Moreover, HR AI can support the country's efforts towards diversity, equity and inclusion (DEI) by identifying and addressing systemic barriers to representation and advancement. Through targeted interventions and proactive monitoring, organisations can create more inclusive workplaces that reflect South Africa's diverse population and harness the full potential of its human capital.

The importance of the human touch

While AI has the potential to revolutionise HR practices, the human touch remains critical. In South Africa, where relationships and community are valued, HR professionals play a crucial role in fostering trust, empathy and collaboration within businesses. AI can complement these human skills by providing insights and recommendations, but it is the human touch that brings authenticity and understanding to employee interactions.

By embracing AI as a tool to augment rather than replace human capabilities, South African organisations can harness the power of technology to drive sustainable growth, foster inclusive workplaces and empower their workforce to thrive in the digital age.

In the South African context, the integration of AI in HR represents a pivotal opportunity to transform the way businesses attract, develop and retain talent. By dispelling myths and fears, embracing AI as an enabler and prioritising the human element, organisations can navigate the complexities of the South African HR landscape and create workplaces that are not only technologically advanced but also inclusive, equitable and empathetic.

As South Africa continues its journey towards economic recovery and social transformation, AI stands poised to play a central role in shaping the future of work and unlocking the full potential of its people. It is time to embrace AI as a catalyst for positive change and leverage its transformative power to build a brighter, more prosperous future for all South Africans.

Curious for more? Contact David on davidfrankking@gmail.com.

Top of page

4. An update on the two-pot retirement system – April/May 2024

Author: Dave Beattie

Update on the two-pot retirement system, due to be implemented on the 1st September 2024.

As mentioned previously, there has been pressure to implement the two-pot retirement system. Political role-players are demanding an early introduction, while the retirement industry is pushing for more time to get systems set up to cater for the deluge of claims they are expecting. The start date on the 1st September was always going to be a challenge, and National Treasury are now admitting they are expecting "teething issues".

While the Revenue Laws Amendment Bill 2023 is yet to be signed by the President, the biggest obstacles so far are those that the retirement industry faces. Retirement fund administrators are required to draw up draft rules for the new system even though the relevant legislation has not yet been finalised. The Financial Sector Conduct Authority (FSCA) must consider and approve every fund's rules before the implementation date. The FSCA have said that pension funds will need to submit their draft rules between the beginning of May and mid-July 2024 so that it can give "in principle" approval of the rules, even though the legislation will not have been officially finalised.

National Treasury have acknowledged that some challenges and complexities will not have been completely addressed before the implementation date, and that some minor changes will need to be made going forward. The second piece of legislation (the Pension Funds Amendment Bill) impacting the two-pot system was the subject of public hearings in Parliament on the 16th April. It is worrying that both pieces of legislation still need to be promulgated before this process can start, especially with the implementation date just around the corner.

So, what does this mean for the payroll industry?

The compromise date of 1 September 2024 is proving to be a challenge to both the legislators and the retirement industry. Very little information is available to the payroll industry and employers are going to be put in a very difficult position when employees approach payroll offices asking to submit claims. Most of these offices are ill-prepared to assist with the education that still needs to happen.

Employees need to understand that the withdrawal of retirement savings is an expensive way of accessing money. They need to understand the impact of taking money out of a fund benefiting from the compound interest concept, and forgoing a return on investment. Pulling money out of the retirement fund is going to hurt employees' retirement planning as replacing it will become more difficult if the economy remains under pressure.

We suspect that there will be a last-minute slew of roadshows and training sessions. Whether that will filter down to payroll offices where desperate employees will be waiting to make their claims is uncertain. We suspect not though, which will lead to unhappy claimants and very stressed payroll administrators. It is difficult not to wonder why processes like this just cannot be planned and implemented properly from the start.

As further information becomes available, we will update you via our newsletter.

Top of page

5. The South African Emigration Checklist: Navigating Tax Consequences & Compliance with SARS

Author: Erin Snyman - *Head of Global Tax at Sail International*

Emigrating from South Africa is a significant life decision that comes with a multitude of considerations, both personally and financially. Among these, understanding the tax consequences and ensuring compliance with the South African Revenue Service (SARS) is of paramount importance. Failing to follow the correct emigration process can lead to penalties costing you thousands! We've put together an emigration checklist that not only covers the practical aspects but also highlights the critical tax-related considerations when moving abroad.

1. Obtain Professional Advice

Before embarking on your emigration journey, it is crucial to seek advice from tax professionals who specialize in South African emigration and international tax. Insights into the tax implications of your move and effective planning are crucial in this process.

2. Determine Your Tax Residency Status

Understanding your tax residency status is the cornerstone of managing your tax affairs when emigrating. South Africa has a residency-based tax system, meaning that residents are taxed on their worldwide income. Non-residents, on the other hand, are only taxed on income generated within South Africa's borders. Establish your tax residency status accurately to ensure you comply with tax laws and don't end up being double taxed.

3. Inform SARS of Your Emigration

Notify SARS of your intention to emigrate by completing the necessary forms. Failure to do so can result in ongoing tax obligations in South Africa, even after you've left. Keep in mind that emigration involves more than just physically leaving the country; it's a formal process with tax consequences. But this doesn't mean you have to formally emigrate with the SARB. This is a bigger discussion and may not be necessary for everyone.

4. Do I need to liquidate South African Assets

Consider whether you want to or should be selling or liquidating your South African assets, such as property or investments before emigrating. Capital gains tax (CGT) may apply, but careful planning can minimize its impact by making sure these transactions are structured efficiently. Note, you don't have to sell your assets, but any income you earn on these would still be taxed in South Africa.

5. Open a foreign bank account

You'll need a non-resident bank account to manage your finances abroad.

6. Manage Retirement Funds

Determine what to do with your South African retirement funds. You can choose to cash them in, transfer them to a retirement annuity, or preserve them in a preservation fund. Each option has different tax implications.

7. Review International Tax Treaties

Research the tax treaties between South Africa and your destination country. These treaties can impact the taxation of your income and assets in both countries. Ensure you understand how they apply to your situation.

8. File All Outstanding Tax Returns

Ensure that you're up to date with your tax obligations in South Africa. This includes filing all outstanding tax returns and settling any outstanding tax liabilities before emigrating.

9. Keep Records

Maintain meticulous records of your financial transactions and travel arrangements, especially during the emigration process. These records will be invaluable for tax compliance and any potential audits in the future and for making sure your tax residency (and date of change) is accurate.

10. Plan for Future Tax Compliance

Even after emigrating, you may have ongoing tax obligations in South Africa, such as rental income or dividends from South African assets and investments. Stay informed about your responsibilities and engage with tax professionals as needed.

11. Your Children's Tax Status

Don't forget to also consider your childrens' tax status and registration with SARS. Even though they may be minors.

12. Future Inheritances

Not something one would normally consider, but if you are likely to receive a material inheritance in the future you may prefer to remain registered with SARS to avoid future admin headaches.

The Importance of Compliance

Compliance with SARS regulations during the emigration process is not optional; it's essential. Failing to follow the correct procedures can lead to penalties, interest, and unnecessary tax leakage. Additionally, non-compliance can result in difficulties accessing your South African assets or returning to the country in the future.

At SAIL, we are here to help you navigate these hurdles and make your exit as efficient and stress free as possible to save you time and money while keeping you compliant with SARS and the tax authorities in your new country.

Book a FREE 15-minute consult with one of our advisors here.

Top of page

6. Malawi – Tax rates for the 2024-2025 tax year

Author: CRS – www.crs.co.za

Following the approval of the Appropriation Bill 2024 on the 27th March 2024 by the Malawi House of Parliament, the House has also passed Bill No. 3 of 2024: Taxation (Amendment). The bill has, among others, amended the Taxation Act, thereby increasing the zero bracket for Pay As You Earn from K100,000 to K150,000. The bill also provides for allowable deductions for monetary donations into the Disaster Risk Management Trust Fund.

As confirmation of the tax changes, the Malawi Revenue Authority (MRA) published the new tax rates on its website on the 29th April 2024.

Even though the Taxation Amendment Act has not yet been published, it is safe to proceed with the system modifications now that the revised rates have been posted on the MRA website.

Effective **1 April 2024**, the new PAYE rates are as follows:

Monthly Income	Annual Income	Rate
First K150,000	First K1,800,000	0%
K150,000 to K500,000 (next K350,000)	K1,800,000 to K6,000,000	25%
K500,000 to K2,550,000 (next K2,050,000)	K6,000,000 to K30,600,000	30%
Excess of K2,550,000	Excess of K30,600,000	35%

To view the new rates on the MRA website, follow this link.

Top of page

7. Lesotho – Tax changes effective 1 April 2024

Author: CRS – www.crs.co.za

Following the 2024/2025 Budget Speech delivered on the 21st February 2024, the Income Tax (Amendment of Monetary Amounts) Regulations, 2024 was published on the 17th April 2024. The regulation serves as confirmation of the tax changes proposed during the Budget Speech.

In terms of Legal Notice No. 25 of 2024, the Income Tax (Amendment of Monetary Amounts) Regulations 2024, the lower tax bracket has been increased from M69,120.00 per annum to M70,500.00 per annum.

In addition, the non-refundable tax credit has been increased from M10,824.00 per annum to M11,040.00 per annum.

With effect from **1 April 2024**, the applicable rates for PAYE are as follows:

Resident individual income tax rates		
Chargeable annual income	**Chargeable monthly income**	**Rate of tax**
First M70,500	First M5,875	20%
Over M70,500	Over M5,875	30%
A non-refundable tax credit of M11,040.00 per annum		

View the legal notice here.

Top of page

8. Zimbabwe – Currency change effective April 2024

Author: CRS – www.crs.co.za

Following the 2024 Monetary Policy Statement issued earlier in April, Zimbabwe's central bank has launched a new structured currency, the Zimbabwe Gold (ZiG). Effective from the 5th April 2024, the ZiG is backed by Zimbabwe's gold reserves.

The Zimbabwean Dollar, whose value has declined over the past year, will be replaced by the ZiG to combat the nation's extremely high inflation and stabilise its long-collapsing economy. The Zimbabwean Dollar has lost nearly all of its value in relation to the US Dollar.

Statutory Instrument 60 of 2024 of the Presidential Powers (Temporary Measures) (Amendment of Reserve Bank of

Zimbabwe Act and Issue of Zimbabwe Gold Notes and Coins) Regulations, 2024 was issued to specify the conversion, design, form, colour, etc. of the new notes and coins.

To comply with the conversion, the Zimbabwe Revenue Authority (ZIMRA) also issued public notices no. 35 and no. 37 of 2024 on the 15th and 22nd April, respectively, to advise clients and stakeholders that the Tax and Revenue Management System (TaRMS) has been converted from ZWL to ZiG.

In this regard:

- From the 13th April 2024, all returns for both the current and previous tax periods must be filed in ZiG and USD. All tax obligations and refunds on returns received prior to 19:00 on the 12th April 2024 have been converted to ZiG.
- Banks are required to promptly continue transmitting to TaRMS all relevant data regarding ZiG payments made by their clients into ZIMRA single accounts, as usual.
- It is highly recommended that taxpayers submit any outstanding returns and payments, including those that were due on the 10th April 2024.
- Taxpayers who did not convert their ZWL returns to ZiG after the 12th April 2024 are advised to amend such returns and resubmit so that they reflect the correct tax obligations.

To download public notices no. 35 and no. 37 of 2024, follow the link.

In accordance with the new currency change, the National Social Security Authority (NSSA) ceiling limit has been updated based on the total consumption poverty line (TCPL) rate as issued by the NSSA, effective 1 April 2024.

The ceiling for the months of April, May and June of 2024 is set at ZiG 5,010.83 per employee.

ZiG		USD	
Annual ceiling	**Monthly ceiling**	**Annual ceiling**	**Monthly ceiling**
60,129.96	5,010.83	6,013.00	501.08

To view the insurable earnings banner on the NSSA website, follow this link.

Top of page

9. Things to take note of this month

Author: Candice Zulu

1. Upcoming tax year end for the following African countries in June:
   - Malawi
   - Swaziland
   - Botswana

2. We know that managing HR matters can sometimes feel like navigating a maze. That is why we have put together our **HR Go-to Guide**, a powerful resource designed to simplify your HR journey. Access our HR Go-to Guide now.

3. **Income tax number:** We can assist you with the registration of your employees for income tax purposes, managing the process from start to finish. Our consultants will obtain the employee's personal information from your payroll administrator and complete the necessary applications. The turnaround time for this process is 24 hours and the cost per application is R150 plus VAT. A volume discount will be negotiated in cases where there are more than 20 applications at a time. Should you need assistance please contact Dave Beattie on 031 582 7410 or dave@hrtorque.co.za.

4. HRTorQue hosts a variety of weekly, online, **HR-focused mini workshops**, covering various topics to assist and guide your managers to perform more optimally. View our list of trainings available or email us for more information.

5. For our latest recordings from our **Wednesday webinars** take a look at our YouTube channel, filled with informative HR, payroll and legislation tips and tricks. If you are not receiving our weekly invites you can subscribe here.

Contact us today for all your HR, payroll, tax and accounting needs.

Top of page

Phone: 031 564 1155 • Email: info@hrtorque.co.za • Website: www.hrtorque.co.za

Durban (Head Office)
163 Umhlanga Rocks Drive, Durban North, KwaZulu-Natal

Johannesburg
Unit G03, 14 Eglin Road, Sunninghill, 2191

Cape Town
Ground Floor, Liesbeek House, River Park, Gloucester Road, Mowbray, Cape Town, 7700

Bloemfontein
62 Kellner Street, Westdene, Bloemfontein

East London
24 Pearce and Tecoma Street, Berea, East London

Port Elizabeth
280 Cape Road, Newton Park, Port Elizabeth

Polokwane
125 Marshall Street, Polokwane

Nelspruit
Promenade Centre, First Floor, Suite 11 A, Nelspruit