

9 tips to take the pain out of payroll

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Small and medium businesses (SMBs) with lean operations and small teams struggle to stay on top of time-consuming payroll management processes in a fast-moving, digitally transforming society. The consequences of getting things wrong can be serious. These may include penalties from Sars, negative impact on the relationships with your employees, and can result in financial losses due to fraud or error.



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If small business owners get the basics right from the start, running an accurate and compliant payroll can be relatively simple. Here are nine tips to remove the pain and run an efficient payroll that doesn't distract you from your core business.

1. Create a payroll calendar

Creating an annual payroll calendar at the start of the tax year will make it much easier and simpler for you to stay organised and further help you stay ahead of critical deadlines. Your payroll calendar should note important dates such as weekly and monthly salary payment dates, due dates for timesheets and invoices, and deadlines for payments and submissions to Sars and other statutory bodies like the Department of Employment and Labour.

2. Enforce segregation of duties

Assigning different payroll responsibilities or a tiered approval system to different people can reduce payroll errors and the risk of payroll fraud. Various staff members should ideally be responsible for capturing payroll data, adding and removing employees, and verifying the pay run and signing off the payroll. This gives you a clear line of accountability and an audit trail. It also means fewer errors will slip through the net.

3. Invest in automated software

With today's affordable cloud technology, any business can afford payroll software for automating repetitive, low-value activities. Payroll software streamlines compliance reporting, making it easier for SMBs to file Employer Declarations (EMP201), Interim or Annual Employer Reconciliation Declarations (EMP501), Tax Certificates (IRP5) and UIF declarations to the Department of Labour. It saves the payroll team many hours of work each month, reduces the risk of fraud and eliminates most human data capture and calculation errors.



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4. Know the regulations and legislation

Automated software can simplify compliance, but you shouldn't use it as a crutch. It is important to understand payroll legislation and keep ahead of the latest legislative changes. Attending industry conferences, webinars, seminars, and following the Sars website for updates and their social media channels are all great ways to get advice and stay up to date with the latest changes. Also, speak to your accountant or tax practitioner.

5. Keep employee records up to date

Employers are responsible for ensuring that employee personal records are accurate and up to date. This includes data such as contact details, address, banking details, salary increases, promotions and applications for maternity leave.

6. Consider employee self-service

Employee self-service tools can save your payroll team loads of time. You can allow employees to retrieve payslips, apply for leave, update personal details, submit expense claims, and more via the web or a mobile app. This can spare the payroll department many hours a month they currently spend on manually updating records or processing requests from employees or managers. For SMBs seeking to become innovative people companies, self-service is also a great way to improve the employee experience.



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7. Educate employees

Your employees have an important role in helping the business remain compliant by keeping accurate records of expenses and overtime. You can help them help you by putting policies and procedures in place that guide

documenting expenses and overtime correctly.

8. Understand compulsory employee benefits

Some employee benefits are compulsory in relation to the South African labour and tax law. These include annual leave and contributions to the Unemployment Insurance Fund. Other legally required contributions include the Skills Development Levy (SDL) and Compensation for Occupation Injuries and Diseases (COIDA). Ensure you are up to speed with the requirements and report them accurately on your payroll.

9. Get started early

Taking the pain out of payroll is one way of improving the lives of SMB owners and employees. The best time to start implementing robust payroll systems and processes is when you onboard your first employee; the second-best time is now. Putting in place a solution that can grow with your business will offer it more visibility, flexibility and efficiency in managing its finances, operations and people.

ABOUT YOLANDI ESTERHUIZEN

Yolandi Esterhuizen oversees the interpretation and implementation of tax, labour and protection of personal information legislation into Sage's HR and payroll as well as accounting products across Africa and the Middle East. She brings to her role expert knowledge and consulting experience in tax and labour law, including PAYE, Employment Tax Incentive, Employment Equity, Skills Development and Labour Relations.

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