

Tax Year End Retirement Fund Validations

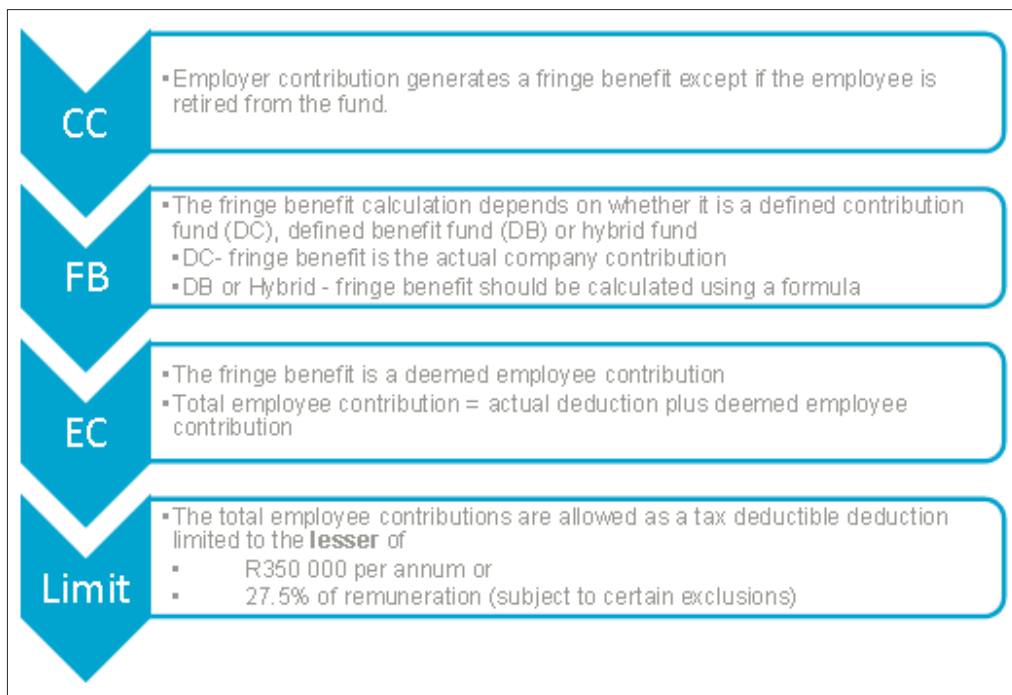


How do retirement fund deductions and contributions affect employees' tax?

Contributions towards retirement funds have a direct influence on the tax calculation of employees. Employer retirement fund contributions will also be taxable as a fringe benefit in the hands of the employee.

The sum of the employee contributions and the fringe benefit will be tax deductible in the hands of the individual employee, limited to 27.5% of the remuneration (taxable income on assessment) or up to the monetary cap of R350 000 per annum, whichever is the lowest.

Summary of the effect that retirement fund contributions have on tax:



Validating the retirement fund values on payroll:

Access the **RSA Submissions feature** under the *Utilities menu* of a payroll company.

Step 4 will complete a Retirement Fund Validation.

A *Retirement Fund Listing* spreadsheet will display all employees with all the retirement fund details. Check the spreadsheet carefully to verify all the data.

The report reflects the Scheme Code, Scheme Name and the Type of Scheme.

- Ensure that all employees are linked to the correct Scheme Code
- Ensure that the Type of Scheme is correctly set up as Defined Contribution Fund (DC), Defined Benefit Fund (DB) or a Hybrid Fund
- Ensure that the actual contributions to the fund, (YTD+ Values) are accurately reflected on this report, as this is the value that will export in the IRP5 file to SARS

If any of these values are not correct:

- Review the setup
- Correct the YTD+ values on the Payslip Screen

Note: Code ZZZZ is the VIP default code for Defined Contribution Funds. If your company has a Hybrid or a Defined Benefit Fund, then you will need customised Scheme Codes to be setup. Employees must be linked to the correct schemes.

Fund changes from Defined Contribution Funds to Hybrid or Defined Benefit Funds will require a consultation with one of our Professional Services consultants, as these changes are too complex to complete over telephone/email support.