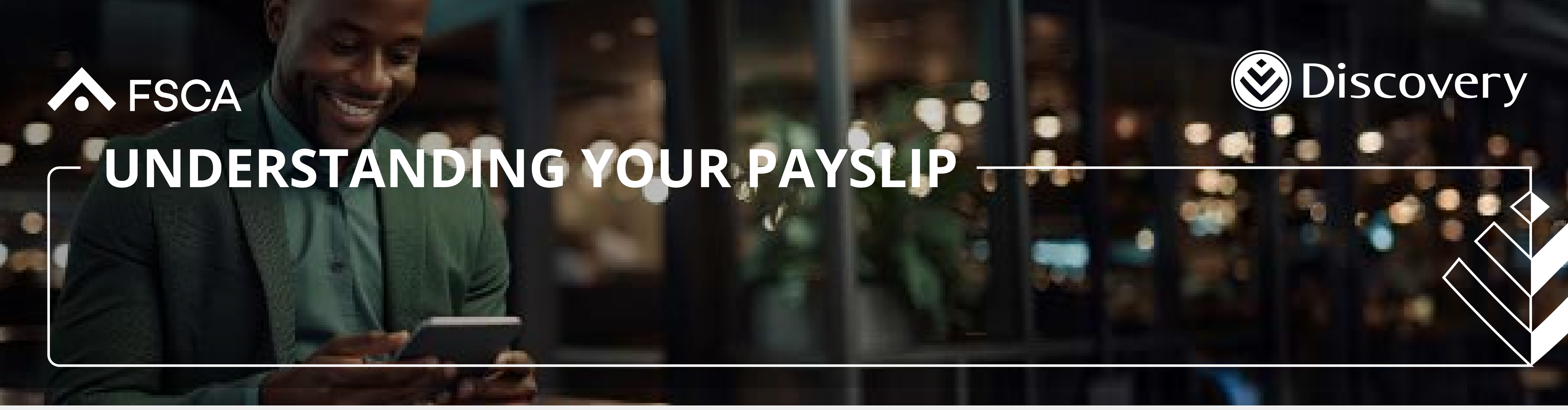

UNDERSTANDING YOUR PAYSLIP

The purpose of this guide is to provide employees with tips and insights to assist them on their way towards fulfilling their dreams and building the wealth they want for themselves and their families. A payslip is a document issued by an employer to an employee for services rendered, detailing the amount of pay given, tax, insurance and retirement fund (if applicable) deductions.

Understanding your payslip

When an employee gets their first payslip, it's exciting, but it can also be a bit overwhelming. If no one has explained it or given them a sample, the details and figures on the payslip might cause a lot of confusion. Here's an example of how you can interpret a payslip, but keep in mind that actual formats may differ:

Tax reference: This 10-digit tax reference, issued by SARS, is either registered by the employer or the employee. Employees can easily register for tax at a SARS branch or online through SARS eFiling—the digital platform accessible via www.sars.gov.za or the SARS MobiApp.

Pay period: The payday is employer-specific and typically falls toward the end of the month.

Pay As You Earn: Employers deduct PAYE from employee's salary monthly and submits it to SARS on their behalf. Employee's PAYE contribution depends on their earnings and is calculated using tax tables issued yearly by SARS.

PAYSLIP

Employer name		Employee name		Pay period	
Employer name		Job title		Date engaged	
Employer address		ID number		Account number	
		Address		Tax reference	

EARNINGS

Basic pay	
Meal allowance	
GROSS SALARY	

DEDUCTIONS

PAYE /	
UIF	
Medical aid	
Retirement reforms	

As part of employee benefits, the employer may offer group risk cover, including life insurance, severe illness and disability cover.

GROUP RISK

Life cover	
Severe illness cover	
Income continuation cover	

TOTALS

Taxable income	
UIF income	
Company UIF contribution	

NET SALARY:

Basic salary: Employee's salary before any additional benefits like medical aid, pension, or allowances are added. It remains constant each month, and it is subject to taxation.

Gross salary: Amount employees earn before any deductions are taken from their salary.

Taxable income: Amount of income, after certain deductions, used by SARS to calculate the PAYE tax automatically paid by the employer on the employee's behalf.

UIF income: Amount used to calculate the employee's UIF contribution.

Unemployment Insurance Fund: Offers short-term relief for employees when they become unemployed or cannot work because of unemployment, maternity, adoption, parental leave, or illness. Both the employee and employer contribute 1% of the employee's salary. The payment is made monthly by the employer on behalf of both parties.

Medical aid: These are the employee's mandatory contributions to a private medical aid if membership is compulsory.

Retirement reforms: Employers may require monthly contributions to a company pension or provident fund, with employees often choosing a percentage of their total cost-to-company earnings. Upon leaving the company, individuals can opt to withdraw the funds in cash (with tax implications) or transfer them to a registered retirement fund in their name. This approach enables individuals to build savings for their retirement.

Net salary: This is the amount employees receive in their bank account after the employer deducts items like UIF, PAYE, and medical aid. It's the employee's net income, representing what they take home.

Income continuation cover: Provides a lump sum and/or a monthly income if the employee can no longer work due to a disability resulting from an event, such as a car accident. It ensures financial support during a period of disability.

Severe illness cover: Provides a lump sum or monthly income if the employee is unable to work due to illness, such as cancer, offering financial support during challenging times.

Life cover: Provides a lump sum to the employee's chosen beneficiary or their estate in the event of their passing. It serves as a financial safeguard, offering financial support to their family or dependents.

Note: You could also have other deductions of a personal nature such as a personal loan, court order for maintenance and a court order for debt (garnishee order).

FSCA

One important form of taxation for young professionals to understand is personal income tax. This applies to individuals with annual earnings that exceed the annual threshold as determined by SARS. When calculating this tax, note that tax rates are tiered, meaning that you are taxed on a certain amount of income at a specified rate per step. These are called tax brackets. For example, if a person is earning R350,000 per annum, the tax can simply be worked out as follows (using the tax table for the 2024-2025 year of assessment):

Taxable income (R)	Rates of tax (R)
1 – 237 100	18% of taxable income
237 100 – 370 500	42 678 + 26% of taxable income
370 500 – 512 800	77 362 + 31% of taxable income
512 800 – 673 000	121 475 + 26% of taxable income
673 000 – 857 900	179 147 + 39% of taxable income
857 900 – 1 817 000	251 258 + 41% of taxable income
1 817 000 and above	644 489 + 45% of taxable income

R350 000 – R237 100 = R112 900

R112 900 x 26% = R29 354

R29 354 + 42 678

= R72 032 tax payable
(before any rebates are taken into account)

Tax year

The tax year starts on March 1st and ends on either February 28th or 29th of the next year.

Tax season

During the tax season, from July to November each year, you submit your yearly income tax return (ITR12). This helps SARS assess your income, figure out taxes, and check tax-deductible expenses for the tax year.

IRP5

The IRP5 is essential for salaried employees, outlining earnings, deductions, and employer-paid taxes annually. It's crucial for tax return completion. In contrast, IT3(a) reports earnings for employees whose tax has not been deducted.

Tax refunds

A tax refund happens when you've paid more taxes to SARS than you actually owe them. It's the extra money you get back.

Regular taxpayer versus provisional taxpayer

If your income comes solely from a salary, you're a regular taxpayer, and your tax is automatically deducted via PAYE from your monthly salary by your employer. Regular taxpayers submit an annual tax return, specifically an ITR12. To determine if you're a provisional taxpayer, check with your local SARS branch or online. Provisional taxpayers make manual payments to SARS in August and February, using an IRP6 for each. Additionally, provisional taxpayers need to complete an ITR12 tax return during the tax season.

Tax practitioners are experts who will complete a return on an individual's behalf, usually for a fee.

Please refer to the SARS website for more information https://www.sars.gov.za/ or consult with a registered financial adviser or tax consultant for further information.

For more information, refer to the FSCA's MyMoney Learning Series. this series is a financial literacy resource, which simplified finanical concepts and principles for South African consumers. With available and free financial content, consumers can make better and informed financial decisions to improve their financial futures.

Please visit **www.fscamymoney.co.za** for further information.

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