

4 Deductions

Certain deductions need to be made before workers can receive their **net** salaries or net wages. Some of the deductions are compulsory while others are not. The employee may also request certain deductions from his or her salary, like bond repayments.

The following deductions are explained:

4.1 Pension fund contributions

In most cases pension fund contributions are compulsory for all employees. Employees contribute to the pension funds in order to save money for when they go on pension. This is done by deducting a percentage of their gross salary. The employer may also make a contribution – the employer contribution. Both employer and employee contributions are paid to the pension fund on a monthly basis.

4.2 Income tax

Each citizen is expected to pay income tax. The amount is calculated according to the employee's taxable income.

Taxable income = Gross salary – Pension fund contribution

The amount is calculated according to tables provided by the South African Revenue Service (SARS). These tables change constantly as they are determined by the Minister of Finance in his annual budget speech.

The determined amount is paid to SARS. An account is created, namely SARS (PAYE) = SARS (Pay-as-you-earn system).

At the end of the month the business must complete an EMP 201 that is forwarded to SARS together with the income tax payment.

At the end of the financial year (28 February) all employees receive an IRP 5 form that indicates each employee's gross salary for the year as well as the amounts deducted for PAYE and SITE. Each employee must complete an income tax return in order to determine whether he or she has paid enough income tax during the year. In case of an overpayment, SARS repays the taxpayer, but in case where too little PAYE was paid, the taxpayer must pay the outstanding amount to SARS.

The employers have to pay 1% of their gross salaries/wages over to SARS.

Activity 3

Required

You have to do the following in the books of TAT Stores for October 2009:

- 3.1 Complete the Wage Journal on 28 October 2009, the last week of the month.
Close off the journal and post to the General Ledger.
- 3.2 Complete the Salary Journal on 31 October 2009. Close off the journal and post to the General Ledger.
- 3.3 Make payments from the Cash Payments Journal and post to the General Ledger.

Note:

- The last cheque issued from the Cash Payments Journal was 946.
- TAT Stores is a number of the New Pension Fund and Health Medical Aid Fund.

Information

- 1 Totals of the Cash Payments Journal on 27 October 2009:

Bank, R38 290
Creditors for wages, R6 690
Trading stock, R10 310
Sundry accounts, R21 290

- 2 Some balances in the General Ledger :

Creditors for wages, R6 690
SARS – PAYE, R1 848
SARS – SDL, R92,40
Medical aid fund, R1 125
SARS – UIF, R504
Wages, R9 240
Medical aid fund contribution, R675
Unemployment Insurance Fund contributions, R252
Skills Development Levy, R92,40

3 Wage drawers

Remuneration

Employees	Ordinary time		Overtime	
	Hours	Amount per hour	Hours	Amount per hour
G. Brutus	40	R25	6	R37,50
R. Johnson	40	R27	4	R40,50
M. le Roux	40	R18	8	R27,00

Deductions

Employees	PAYE	Medical	UIF
G. Brutus	20%	R50	1% of ordinary time
R. Johnson	20%	R50	1% of ordinary time
M. le Roux	20%	R50	1% of ordinary time

4 Salaried employees

Remuneration

Employees	Per year
M. Groenewaldt	R129 600
R. Fouche	R99 600
M. Rossouw	R150 000

Deductions

Employees	PAYE	Medical	Pension
M. Groenewaldt	R2 700	R200	7%
R. Fouche	R1 494	R240	7%
M. Rossouw	R3 500	R280	7%

Note:

- TAT Stores must pay 1% Skills Development Levy.
- TAT Stores' contribution to the medical aid fund is R1,50 for each R1 contributed by the employee.
- TAT Stores' contribution to the Unemployment Insurance Fund is 1% of ordinary time.
- TAT Stores' contribution to the pension fund is on a rand-to-rand basis.

General Ledger of TAT Stores

Dr	SARS - PAYE				B3	Cr

Dr.	SARS - SDL				B4	Cr.

Dr	Pension fund				B5	Cr

Dr	Medical aid fund				B6	Cr

Dr	SARS - UIF				B7	Cr

Dr	Salaries				N1	Cr

Dr	Wages						N2	Cr

Dr.	Skills Development Levy						N3	Cr

Dr	Pension fund contribution						N4	Cr

Dr	Medical aids contribution					N5	Cr

Dr	UIF contribution					N6	Cr