

# Payroll software is no longer a luxury; it's a necessity

The daunting complexity of today's labour and tax environment in South Africa means that an automated payroll solution has become a necessity rather than a luxury for SMEs that want to ensure the ongoing sustainability of their businesses.



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That's according to Anton van Heerden, MD of Sage VIP and Sage Pastel Payroll & HR, who says that it is difficult if not impossible for the person in charge of the payroll to stay ahead of the constant changes in South Africa's regulatory landscape without a solution that takes care of keeping records and doing payroll calculations.

Van Heerden said: "SMEs today need to cater for a range of deductions, levies and tax incentives in their payroll calculations, ranging from UIF and the skills development level to the employment tax incentive. What's more, they also need to keep track of yearly changes to SARS regulations that will impact on their payroll tax calculations.

"Without an automated payroll solution, most businesses will find it difficult to perform accurate calculations and file submissions with SARS on time. This environment is likely to get more rather than less complex in the years to come, as government is putting more focus on governance and tax compliance than ever." The risks of getting it wrong include censure or fines by the tax authorities because of incorrect calculation or payments.

## Critical in managing the business' financials

An automated solution will take care of calculating the complex formulas, generating the relevant compliance reports, and keeping accurate records, sparing the person responsible for the payroll reams of manual paperwork, Van Heerden said. A sound automated payroll system is also critical in managing the business' financials and planning around its resources, he added.

"Given that the payroll is one of the biggest, and often the biggest, expense in a business, it should be managed with tight financial controls," Van Heerden said. "Payroll fraud is one of the most common white-collar crimes in the business world; what's more, erroneous payments can cost a business dearly."

Payroll software helps to reduce these risks by giving managers better visibility into transactions, providing an audit trail, and providing a set of controls, checks and balances that help to prevent errors and fraud, he added. This prevents financial losses and improves efficiencies. A good solution will also feature bank account and ID number verification from within the system, helping to reduce opportunities for fraud.

The payroll is one of the most crucial links in the employee-employer relationship. Late wage and salary payments, or inaccurate calculations of deductions and overtime can be extremely damaging to the morale of the workforce, said Van Heerden. Automation helps reduce the possibility of human error causing such problems.

## **Help to hone the strategic focus**

Payroll solutions also help to hone the strategic focus of the HR department, Van Heerden continued. They free HR and payroll managers from the drudgery of paperwork so that they can focus on developing and motivating employees. In addition, they provide management with information that they can use for better business forecasting and planning.

For example, payroll can help businesses understand how employees are contributing to profitability, what resources they might need to engage and at what cost for major projects, and where they have gaps or surpluses in their human capacity, Van Heerden said. "Our clients tell us that our software doesn't just streamline processes. It also helps them make smarter business decisions."

Van Heerden recommended that businesses should consider the following points when they choose a payroll solution:

- Look for a scalable product that can grow alongside the business;
- Find a solution with full local support that is kept up to date with relevant labour and tax laws for the markets where they operate;
- Make sure the vendor has a proven track record and local reference sites;
- Ensure that the solution is built on flexible modern technology that accommodates today's trends mobility and the cloud, for example; and
- Consider a solution with integrated employee self-service functionality.

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