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4 trends shaping payroll this year

By Yolandi Esterhuizen

12 Jan 2022

The past two years have tested the flexibility and resilience of payroll teams, forcing them to cater for hybrid working models and respond with agility to evolving tax relief measures. The experiences of these challenging times have prompted many payroll departments to modernise their systems and processes in anticipation of even more change to come.

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As we look towards 2022, it seems unlikely that the volatility we have experienced since the start of the pandemic will disappear. Payroll teams will need to be adaptable and efficient to stay ahead of evolving regulations and legislation, as well as the demands of their workforces.

Here are four trends that are likely to dominate the year to come:

1. Tax and compliance becomes more complex

Sage research shows that 77% of South African SMEs consider payroll taxes, such as PAYE, UIF and SDL, to be complex due to continuous changes in legislation and regulations. Complexity increased during the pandemic as government relief measures kicked in, including the temporary employer/employee relief scheme (Ters), expanded employment tax incentive (ETI) relief, and deferment of PAYE taxes for employers with revenue of R100 million or less.

Depending on the course of the pandemic, we may see more measures such as these introduced. Furthermore, major legislation changes are waiting in the wings, such as further retirement reforms and preparations for the National Health Insurance scheme. Companies that haven't automated their payrolls will find it difficult to keep up.

2. Data protection and privacy remains front of mind

The impact of data privacy regulations, such as the Protection of Personal Information Act (PoPIA) and Global Data

Protection Regulation (GDPR), isn't limited to consumer-facing departments. It also applies to how payroll departments handle employees' personal data. Our research indicates that nearly half of HR and payroll professionals are worried about PoPIA and GDPR compliance.

While nine in 10 believe their organisation complies with the regulations, they remain concerned about cyberattacks or data being leaked or stolen. This may be a major incentive for those still using spreadsheets and other manual approaches to consider modernising their payroll and HR systems to close security gaps and ensure data privacy.

3. Hybrid working models become entrenched

The debates about the pros and cons of remote work versus office-bound work continue, but it seems hybrid work will be part of the future for most organisations. Our research shows that 82% of SMEs are currently working completely remotely or in hybrid environments, complicating HR and payroll management even further.

Payroll teams have needed to learn to collaborate in remote settings and master the challenges of keeping data secure and supporting geographically dispersed employees. As we move into the future, we can expect the workforce to become even more flexible regarding how, when and where it works – payroll will need to be agile to keep up.

4. Move to the cloud accelerates

Many payroll professionals spend a significant proportion of their day completing repetitive tasks such as preparing and processing payrolls. Automating tax calculations and centralising and digitising employee records in a digital system can enable them to reclaim lost hours spent on admin.

Our research shows that 70% of South African organisations will move away from manual and on-premise solutions to cloud-based systems. This shift will reduce the paperwork burden, facilitate remote work, and provide real-time insights to support business decision-making.

Opting for an integrated, cloud-based payroll and HR system delivers the optimal ROI. Such systems offer one database for all payroll and HR data, providing a single source of truth and insights into the organisation. It also reduces the need to recapture manually or export and import data between payroll, HR and accounting systems.

Managing complexity

The complexity of running the payroll is exacerbated by Covid-19, which has disrupted organisations and led to lower confidence among professionals. However, payroll professionals can take control of their processes this year by using technology to reduce administrative burdens and gain real-time insights.

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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