



ISSUE

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2026 ANNUAL PAYROLL TAX LEGISLATION CHANGES

1. SARS Payroll & PAYE Submission Changes (2026 Filing Season)

Mandatory Income Tax Reference Numbers

- From February 2026, SARS will reject employer PAYE reconciliation submissions (EMP501) unless all employees who must be registered have a valid Income Tax Reference Number.
- No more warnings or grace period — missing tax numbers will block submission and trigger penalties.

Updated EMP501 and BRS Filing Rules

- Employers must use the latest Business Requirement Specification (BRS) for PAYE submissions which includes:
 - New source codes for reporting antedated salary/pension and specific tax recoupments.
 - Updated validation rules.
- Payroll systems must be updated to handle these changes ahead of the 2026 Employer Filing Season.

2. Tax Rates and PAYE Calculations (2025/26 Tax Year)

Income Tax Tables Updated

- New tax brackets, rebates, and thresholds (for the 2025/2026 tax year ending 28 Feb 2026) were updated in the SARS employer guide.
- Employers must update payroll tax tables and withholding logic to reflect new rates.

Travel and Allowance Rate Changes

- SARS announced updated mileage reimbursement rates and travel subsistence allowances — these affect payroll expense reimbursements and taxable fringe benefit values.
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3. Employment Tax Incentive (ETI) Adjustments

- Thresholds for qualifying ETI amounts were revised and effective from 1 April 2025.
 - Qualifying monthly remuneration limit increased (e.g., top threshold now R7 500 instead of R6 500).
 - Employers need to adjust ETI calculations accordingly within payroll systems.

Note: These ETI rule changes are still binding in 2026 until superseded by later Budget legislation.

4. Other Legislative Trends Impacting Payroll (2026)

While not strictly payroll rules, these regulatory shifts are important for employers and payroll professionals:

Pay Transparency and AI Compliance

- Wider HR compliance trends in 2026 include pay transparency requirements, expanded leave policies, and regulatory oversight linked to AI in HR practices.

Data and Reporting Accuracy Expectations

- Expect increased scrutiny on employee data integrity, reporting accuracy and compliance documentation — especially where PAYE, reconciliations, and statutory filings intersect.
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Practical Employer Actions for 2026 Compliance

To stay compliant and avoid penalties:

- Update payroll software & BRS specs before the 2026 filing season.
 - Ensure all employees have valid tax reference numbers in payroll records.
 - Refresh PAYE and tax withholding tables according to the 2025/2026 tax year changes.
 - Adjust ETI logic for qualifying employees.
 - Train payroll/HR staff on new source codes & EMP501 validations.
 - Monitor broader HR compliance issues like pay transparency and leave law changes that tie into payroll processes.
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Payroll Compliance Checklist & Timeline 2026

January – February 2026

- Validate employee tax reference numbers
 - Ensure all employees have valid Income Tax Reference Numbers in your payroll system.
 - Missing numbers will block EMP501 submission.
 - Action: HR to request missing tax numbers from staff immediately.
 - Update payroll software
 - Install updates to reflect the latest BRS v24.x for EMP501.
 - Test payroll reports against new source codes and validation rules.
 - Review PAYE tax tables
 - Update your payroll system with 2025/2026 tax brackets and rates.
 - Adjust calculations for rebates, thresholds, and travel/allowance reimbursements.
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March – April 2026

- Employment Tax Incentive (ETI) review
 - Check ETI thresholds: qualifying remuneration limit is now R7 500 per month.

- Update payroll rules to calculate ETI correctly for eligible employees.
 - Conduct internal payroll audit
 - Reconcile previous EMP201 submissions.
 - Confirm travel, allowances, and fringe benefits comply with new SARS rules.
 - Communicate updates to employees
 - Notify staff of changes that affect pay slips, allowances, and deductions.
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May – June 2026

- EMP501 preparation
 - Begin gathering EMP501 submission data.
 - Ensure all contributions, tax deductions, and source codes align with BRS updates.
 - Action: Cross-check payroll records against SARS requirements to avoid rejections.
 - Fringe benefits & allowances review
 - Update taxable fringe benefit calculations for vehicles, travel, housing, and bonuses.
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July – August 2026

- Mid-year payroll review
 - Check PAYE reconciliation logic.
 - Make corrections for any errors detected in EMP201 filings or ETI calculations.
 - Data accuracy check
 - Ensure all employee personal information is up to date in the system.
 - Validate banking details for salary payments.
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September – November 2026

- Year-end payroll preparation
 - Review 2026 PAYE tables for any mid-year changes announced by SARS.
 - Run mock EMP501 reconciliation reports to detect errors early.
 - Leave and bonus adjustments
 - Apply final leave accruals and bonuses before year-end closing.
 - Ensure accurate reporting of fringe benefits, travel reimbursements, and deductions.
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December 2026

- EMP501 final submission
 - Submit EMP501 for the 2026 tax year to SARS by the due date (usually end of January 2027).
 - Confirm all employees have valid tax reference numbers.
 - Resolve any submission errors immediately to avoid penalties.
 - Payroll system review
 - Archive payroll records securely for SARS audit purposes.
 - Prepare system updates for 2027 payroll changes.
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Extra Tips

- Train HR/payroll staff on the latest EMP501 and ETI rules.
 - Document all reconciliations and changes to protect against SARS audits.
 - Monitor SARS alerts and updates for late 2026 changes to travel allowances or ETI.
 - Stay aware of broader HR compliance trends, such as pay transparency, AI in HR, and statutory leave adjustments.
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Consult your accountant for more comprehensive advice and assistance.

Regards

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