



## **Tax & Legislative Information Series...**

**... demystifying “payroll speak”**



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## About – Demystifying “Payroll Speak”

- **Introduction**

- This Tax Bite explains commonly used payroll and tax terminology **to promote a clearer understanding across business functions.**
- It highlights how some terms, while frequently used in everyday payroll discussions, **may be misunderstood or applied incorrectly.**
- The aim is to **provide clarity on the meaning and context of these terms**, both from a legislative and operational perspective.
- By unpacking payroll language, the information in this tax bite supports more **accurate communication and compliance** within payroll, HR, and finance teams.



## About – Demystifying “Payroll Speak”

### • Core Payroll Terminology:

Payroll Term	Explanation	Alternative/Similar Words
Basic Pay	Base salary before any additions or deductions.	Base Salary
Bonus Provision	Amount set aside for future bonus payout.	Accrued Bonus
Bonus Provision for Tax	Bonus amount reserved for monthly tax calculation purposes.	Taxable Bonus Estimate
CTC (Cost to Company)	Total remuneration package of an employee includes all benefits and cash component. Usually, an amount is stipulated, and all benefits included in the package are deducted to derive the Cash Component of the package.	TGP, Package Cost, Total Package
Company Contributions	Employer-paid benefits (e.g., medical aid, retirement).	Employer Contributions
Deductions	Amounts subtracted from gross pay (e.g., PAYE, UIF, loans).	Payroll Deductions, Withholdings
Earnings	Money paid to an employee for work done. Includes salary, bonuses, overtime.	Income
Engagement Date	The date employment was agreed upon.	Employee Start Date
Fringe Benefit	Non-cash benefits taxable under the Income Tax Act (e.g., company car).	Perks, Benefits-in-Kind
Gross Pay	Total earnings before any deductions.	Total Earnings
Leave Pay	Payment for approved leave (annual, sick, etc.). Can also include termination leave pay – payout of balance of leave on termination.	Paid Leave, Time-off Pay
Medical Aid Subsidy	Employer contribution to medical scheme.	Medical Aid Employer Contribution

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Payroll Term	Explanation	Alternative/Similar Words
Net Pay	Take-home pay after all deductions.	Nett Salary, Final Pay
Overtime	Time worked beyond normal hours, often paid at higher rate.	Extra Time, Time-and-a-Half, Double-Time
Payslip	Legally required document showing earnings, deductions, company contributions, fringe benefits and net pay for a pay period. Governed by the BCEA.	Salary Advice, Remuneration Slip
Pro Rata	A proportional amount based on time worked.	Prorated
Retirement Fund Contributions	Employer’s portion of contribution to retirement fund, such as a pension fund, provident fund or retirement annuity fund.	Employer Pension Contribution. Employer Provident Contributions, Employer Retirement Annuity
Retirement Fund Deductions	Employee’s portion of deduction to retirement fund, such as a pension fund, provident fund or retirement annuity fund.	Employee Pension Contribution. Employee Provident Contributions, Employee Retirement Annuity
Shift Allowance	Additional pay for shift work.	Shift Premium
Start Date	The first working day of the employee or the first date of a transaction.	Hire Date, Engagement Date
Statutory Contributions	Employer contributions required by law, e.g. UIF, SDL.	Employer Statutory Charges
Statutory Deductions	Deductions required by law, such as PAYE and UIF.	Legislative Deductions
TGP	Total Guaranteed Package; same as CTC.	Cost to Company
Termination Date	The last working day of the employee or last day of notice period.	Exit Date, End of Service

## About – Demystifying “Payroll Speak”

### • Statutory & Legislative Terminology:

Payroll Term	Explanation	Alternative/Similar Words
BRS	The BRS (Business Requirement Specification) is a legal document issued by SARS that outlines the mandatory data and reporting requirements employers must follow for SARS submissions of employee tax certificates.	PAYE file specification, SARS submission file format
COIDA / WCA	Compensation for Occupational Injuries and Diseases Act. Workmen’s Compensation Act. This act defines rules around contributions to the Workmen’s Compensation Fund from which employees can claim due to Injury on duty. This is an insurance for employees	Workers' Comp, Injury Fund
COIDA Submission	Return of earnings declaration each employer needs to do annually to declare the total employee earnings on which the Fund will calculate the annual levy due by the employer.	Return of Earnings
COIDA Remuneration	The earnings as defined in the COID Act.	COID Earnings
EMP201	SARS monthly employer declaration for PAYE, SDL, UIF and ETI in respect of deductions made against employee earnings.  Declaration by ER to SARS in what was deducted from employees and will be paid over to SARS. Linked to a payment (payment ref from SARS)	Monthly Submission

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### • Statutory & Legislative Terminology:

Payroll Term	Explanation	Alternative/Similar Words
EMP501	Bi-annual and annual reconciliation submitted to SARS including the IRP5 codes and values to the IRP5 codes. Reconciliation is done between EMP201 declarations, payments and IRP5 values.	Annual Submission
ETI	Employment Tax Incentive – reduces PAYE for hiring qualifying youth.	Youth Wage Subsidy
IRP5	Tax certificate showing income, deductions, and PAYE with IRP5 codes as legally required and dictated by SARS, which all Payroll systems should adhere to.	Tax Certificate
PAYE	Tax withheld from employee pay and paid to SARS (Pay-As-You-Earn).	Income Tax Withholding
Rebate	Tax amount subtracted from PAYE.	Tax Credit
SARS	South African Revenue Service.	Tax Authority
SDL	Skills Development Levy – employer contribution only, 1% of taxable remuneration.	Skills Levy
Section 11(n)(A) & (B)	Allows an employer to declare a refund from an employee of taxable income for payments such as sign on bonus, restraint of trade maternity etc. through a tax certificate.	Employee Refunds
Section 6A/B/C	Income Tax Act: Covers rebates (Section 6A), medical tax credits (6B), solar tax credits (6C).	Tax Rebates

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### • Statutory & Legislative Terminology:

Payroll Term	Explanation	Alternative/Similar Words
Tax Directive	SARS-issued instruction on how to tax specific income (e.g., a retrenchment payout).	SARS Instruction
Section 8A/B/C	Sections 8A, 8B, and 8C of the Income Tax Act govern the tax treatment of employee share incentive schemes, determining when and how benefits from shares, options, or rights are taxed.	Employee shares, Employee share incentive schemes
Tax Year	The 12-month period from 1 March to the end of February (of the following year) during which an individual’s income is assessed for tax purposes. (Companies may have tax years running from different dates, but are usually also a 12-month period)	Year of Assessment
UIF	Deduction for unemployment insurance – both employee deduction and employer contributions to the UIF fund.	Unemployment Insurance



## About – Demystifying “Payroll Speak”

### • Payroll Cycle / Process Terminology:

Payroll Term	Explanation	Alternative/Similar Words
Audit Trail	Log of changes or actions in the payroll system.	Activity Log
Backdated Transaction	Adjustments applied to a prior period.	Retrospective Entry, Back pay
Bank File	Electronic file, containing salary payments submitted to the Employer bank to distribute payments to the employee bank accounts.	EFT Batch File
Bulk Upload	Uploading large data sets into payroll system.	Mass Import, API
Cut-off Date	Deadline to input payroll changes before finalisation.	Payroll Deadline
Dummy Run	Test run of payroll to check accuracy before finalisation.	Simulation Run
Off-Cycle Run	Additional payroll processed outside the normal cycle.	Special Run, Additional Run
Pay Date	The date employees receive their salary payment.	Salary Date, Payment Date
Payroll Cycle	The frequency of payroll runs (monthly, weekly, etc.) including the dates from and to which the cycle is run.	Pay Frequency, Pay Period
Payslip Pull	Action of generating and distributing payslips.	Payslip Generation
Post-Payroll	Stage after payroll run – involves payslips, reports, and payments.	Finalisation Stage, Month End



## About – Demystifying “Payroll Speak”

### • Payroll Cycle / Process Terminology:

Payroll Term	Explanation	Alternative/Similar Words
Pre-Payroll	Stage before payroll run – involves collecting and verifying data.	Input Stage, Processing Period
Rollback	Reversal of payroll run due to errors.	Payroll Reversal
Run the Payroll	Process of calculating earnings, deductions, taxes and final pay.	Payroll Processing
Submission Day	The day EMP201 is due to SARS.	EMP201 Submission Deadline
Year-End	Final period for recon, IRP5s, and audit season.	Tax Year Closure, EMP501 Season



## About – Demystifying “Payroll Speak”

### • Payroll Implementation Terminology:

Payroll Term	Explanation	Alternative/Similar Words
Backdated Comparative Run	Running (and reconciling with previous payroll report) a payroll for previous periods in the new system for accuracy checks.	Historic Parallel Run
Balancing	Ensuring payroll totals and transactions match between old and new systems.	Data Reconciliation
Business Requirements Document (BRD)	Document listing payroll/business expectations from the new system.	Requirements Spec
Change Control	Process to manage and approve system changes.	Change Management
Change Freeze	Period where no system changes are allowed (usually just before go-live).	Configuration Freeze
Config / Configuration	System setup for rules such as pay frequencies, tax rules, etc.	System Setup
Cutover	The moment the system switches from old to new. Often includes a blackout period.	System Transition, Go-Live
Data Cleanse	Process of correcting data before migration.	Data Validation, Data Clean up
Data Migration	Moving data from the old to the new system.	System Data Transfer, Data Take-on
Dry Run	Trial payroll run using the new system before go-live.	Practice Run, Parallel Run
Gap Analysis	Identifying differences between business needs and system functionality.	Functional Gap Review, Business and Payroll Analysis
Go-Live	When the new payroll system becomes the active environment.	Launch Date
Legacy System	The old payroll system being replaced.	Previous System

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### • Payroll Implementation Terminology:

Payroll Term	Explanation	Alternative/Similar Words
Mapping	Aligning data fields (e.g. pay codes) between systems such as API and General Ledger codes.	Data Mapping
Parallel Run / Comparative Run	Running new and old systems side-by-side to validate outputs.	Dual Run
Pay Code Mapping Sheet	Spreadsheet that lists old vs new pay codes, tax and GL details.	Code Crosswalk
Pay Element Validation	Checking that each pay code calculates and behaves as intended.	Element Testing
Post-Go-Live Support	Help and support period after go-live. Usually intense.	Hypercare
Project Sponsor	Executive responsible for implementation.	Project Owner
Retrospective Processing Logic	System rules for recalculating past payments when input is delayed.	Backpay Rules
Sandbox / Test Environment	A safe system used for trial configurations and training. Test Instance.	Test System, UAT instance
Sign-Off	Official approval that configuration and testing is complete.	Final Approval
Superuser	Highly trained payroll users in the new system that includes all user rights.	Power User
System Freeze	Temporary lockdown on live system changes during migration.	Change Freeze
UAT (User Acceptance Testing)	Phase where users test and approve the system functionality.	Final Testing

## About – Demystifying “Payroll Speak”

### • Other Payroll Terminology:

Payroll Term	Explanation	Alternative/Similar Words
Annualised Tax	Tax calculated on the projected annual income, not just monthly earnings.	Year-to-Date Tax Calc
Double Pay	When someone is accidentally paid twice.	Duplicate Payment
Down Time	Period where payroll system is offline.	System Maintenance
Dummy Payslip	Fake payslip used for testing or simulation.	Test Payslip, Sim Payslip
ESS (Employee Self Service)	Online platform where employees access payslips, leave, etc.	Employee Portal
Ghost Employee	A non-existent person on payroll – typically fraud or admin error.	Phantom Employee
MSS (Manager Self Service)	Online portal for line managers to approve leave, view team info.	Manager Portal
Overtaxed	When PAYE is too high — usually due to incorrect IRP5 code or assumptions.	Overstated PAYE
Reconciliation	Matching payroll transactions and totals to accounting, reports, or tax declarations.	Compare
System Update	Scheduled software updates.	Patch, Version Upgrade, Release
Total Employer’s Cost	Includes the full value of employing an individual. Often includes all Earnings, Company Contribution, Fringe Benefits and leave entitlement and COIDA contributions. Company Contributions also includes statutory contributions.	Cost to Employer

## About – Demystifying “Payroll Speak”

- **Common misconceptions**
  - **CTC vs Gross Pay:** Many confuse Cost to Company with Gross Salary; CTC includes all benefits, while gross pay is before deductions but excludes Employer Contributions.
  - **CTC vs Total Cost to Employer:** The CTC is usually the package value the employee will receive (not including statutory contributions, etc.), whereas the Total Cost to the Employer includes all aspects of employing an individual.
  - **Data Ownership and hosting:** Who owns the data, and where is it hosted – is it the Finance Department or the HR Department? It is crucial to have a policy in place for this, as someone is responsible for safekeeping and maintaining confidentiality. This is important from the POPIA perspective.
  - **EMP501 vs EMP201:** Confusion exists between these submissions – EMP201 is monthly; EMP501 is bi-annual/annual reconciliation.

## About – Demystifying “Payroll Speak”

- **Common misconceptions**

- **ETI Misuse:** Employers incorrectly assume all youth qualify or that ETI is automatic; eligibility and correct application, establishing the rules in your payroll system, are essential.
- **Section 11(n)(A):** Often misunderstood, this is not a way for employers to refund overpaid taxes on behalf of employees, but rather a mechanism to assist the employee’s personal tax return process by declaring the refund on the IRP5 (or in a letter), simplifying the recovery of overpaid tax directly from SARS.



## About – Demystifying “Payroll Speak”

- **In summary**

- Payroll terminology is **varied and often complex**, especially when integrating statutory and implementation language.
- **Clear definitions and common alternatives** help ensure accurate communication and compliance across payroll, HR, and finance functions. All functions in an organisation touch payroll at some point. A clear understanding of what payroll terms mean is crucial to avoid miscommunication. As an example, Payroll and IT may have a different interpretation of the word API – for IT, this may refer to an actual application, whereas the payroll team may refer to an import/export file.
- Employers are encouraged to **clearly define payroll terminology** within their payroll policies to avoid confusion, as misunderstandings of payroll terms and instructions during a stressful time in the payroll function (which is very often !), can lead to further payroll delays, payment issues and even statutory compliance issues.
- This Tax Bite promotes a shared understanding to reduce errors, improve processing, and enhance payroll literacy in the workplace.



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