EMP501 Midyear Deadline: Why Employers Must Act Now to Obtain Employee IRP5 Certificates Correctly

With the deadline for South African Revenue Service (SARS) midyear reconciliation fast approaching, all employers are urged to submit their EMP501 declarations before the deadline. Not only is the submission a statutory requirement — it is also a critical step that will enable companies to issue their employees with accurate IRP5 certificates.

Non-compliance will result in employee tax submissions being postponed, affect compliance status, and incur financial penalties on the employer.

Understanding the EMP501

The EMP501 is a legislative reconciliation return submitted bi-annually by employers. It reconciles:

- All EMP201 declarations monthly (PAYE, UIF, and SDL),
- Remittances made to SARS, and
- Employee tax certificates (IRP5/IT3(a)) to employees.

According to SARS: "EMP501 submission allows employers to balance the PAYE, UIF, SDL, and ETI on the monthly EMP201 returns against payments made and certificates of employee tax. The balancing secures the employee income tax data." — SARS: Employer Reconciliation Process.

Two EMP501 reconciliations must be submitted by employers per tax year:

- Midyear (Interim) Submission: For the period 1 March to 31 August, and submission period from 22 September to 31 October.
- Year-End (Annual) Submission: For the entire tax year from 1 March to 28/29 February, with submission period from 1 April to 31 May.

Timely submission of the midyear EMP501 ensures payroll data is accurate prior to reconciliation time. It allows businesses to recognise and correct any discrepancies early — prior to affecting final employee tax certificates.

EMP501 Link with Employee IRP5 Certificates

The midyear EMP501 itself directly affects an employer's ability to generate accurate IRP5/IT3(a) certificates — certificates utilised by employees for their personal tax returns.

SARS points out that: "The information captured during the Employer Declaration period enables SARS to issue taxpayers with accurate pre-filled Income Tax Returns (ITR12). Incomplete or faulty information hinders employees from being able to fulfil their tax obligations." — South African Government News Agency, May 2024.

That is, late or erroneous EMP501 submissions can render employee data on SARS systems as inaccurate, hence resulting in delays and/or challenges with employee tax computation.

Submission Channels and Requirements

Depending on how many employees are in the workforce, employers can submit EMP501 declarations via:

- SARS eFiling – for small employers (usually less than 50 workers);
- e@syFile™ Employer – a SARS software package for bigger payrolls.

All employers should use the latest version of e@syFile to avoid technical rejection or submission in outdated formats, according to SARS.

"Employers are asked to update their e@syFile Employer software to the most recent version before they submit their EMP501 returns." — SARS: Employer Reconciliation Updates.

Consequences of Late or Incorrect Submissions

SARS considers non-compliance strictly. Non-compliance with late or incorrect submissions of EMP501 may lead to:

- Administrative penalties: 1% of PAYE liability per annum and compounded monthly to a maximum of 10%.
- Penalty on any outstanding or diverted PAYE, UIF, or SDL.
- Loss of benefit in terms of Employment Tax Incentive (ETI).
- Criminal act: Failure to submit EMP501 or provide IRP5s dishonestly or negligently can result in a fine or two-year imprisonment.

A pay-as-you-go employer who fails to furnish a complete EMP501 reconciliation can be declared non-compliant and fined under the Tax Administration Act." — SARS PAYE Guidelines.

Midyear Compliance Checklist for Employers Reconcile all EMP201 returns: Verify that each month's PAYE, UIF, SDL, and ETI return matches payments received by SARS.

- Declaration and payment balances: Check total payments made are equal to amounts declared to SARS, with no penalties or interest.
- Check employee data: Check employee IRP5/IT3(a) data — names, ID numbers, tax reference numbers, and remuneration.
- Use the latest software: Download the latest version of e@syFile™ and ensure your payroll system meets SARS BRS specifications.
- File prior to the deadline: Prevent last-minute congestion of SARS systems by filing a few days before 31 October.
- Retain evidence and documentation: Keep all evidence of submission and supporting payroll records at least five years.

Why Timely Submission Matters

In addition to compliance, timely submission of the EMP501 has real business benefits:

- Improved credibility with SARS and client compliance rating.
- Reduced administrative risk and fewer audit complexities.
- Employee satisfaction with accurate and timely IRP5 certificates.
- Facilitate the detection of errors early to avoid compounding end-of-year issues

As KRT Consultants would remind clients, compliance goes beyond not being caught with penalties — it's about building a solid, transparent, and well-governed business operation.

Conclusion

The midyear EMP501 reconciliation is not just a tax nicety — it's a control point for payroll accuracy, employee tax readiness, and corporate compliance.

With the submission date for EMP501 being 31 October 2025, this is the time for employers to verify payroll records, reconcile EMP201 information, and finalise EMP501 submissions.

KRT Consultants advises all businesses to give this process their highest priority well prior to the due date to avoid any unnecessary delays or fines. If you require assistance for EMP501 reconciliation or IRP5 preparation, our payroll compliance professionals are here to assist.

References:

1. SARS: PAYE Reconciliations - https://www.sars.gov.za/types-of-tax/pay-as-you-earn/reconciliations/

2. SARS: Employer Annual Declarations (EMP501) - https://www.sars.gov.za/types-of-tax/pay-as-you-earn/employer-annual-declarations-emp501-1-april-to-31-may-2025/

3. South African Government News Agency - https://www.sanews.gov.za/south-africa/may-31-deadline-employers-annual-declaration

4. RSM South Africa: SARS EMP501 Annual Reconciliation - https://www.rsm.global/southafrica/insights/sars-emp501-annual-reconciliation