

Employee tax certificate (IRP5 or IT3(a)) explained

The tax season for individuals runs from July to November every year. For provisional taxpayers who submit via eFiling, it runs until January of the next year. During tax season you need to submit an income tax return (ITR12) to the South African Revenue Service (Sars) so that they can calculate your tax on your income and the tax-deductible expenses for the assessment year (1 March to the end of February).

Depending on the products that you have with Momentum, we'll send you the relevant tax certificates every year so that you can complete your tax return. Usually you would have received all your tax certificates from us by the end of June every year.

Some or all of the information on the tax certificate may already be prepopulated by Sars on your tax return. If it is, all you have to do is to check the prepopulated information against the information on the tax certificate. If you are happy that the information is correct, you can continue completing your tax return. If the information is incorrect, contact the Sars call centre on 0800 007 277.

If it hasn't been prepopulated by Sars, use the information on the tax certificate to complete your tax return.

You don't submit the tax certificates to Sars when you submit your tax return, but keep them for a period of five years in case Sars requires them from you.

We give you some more information about this tax certificate:

General questions and explanations

What type of tax certificate is this?

This is an employee income tax certificate (IRP5 or IT3(a)).

What is an employee tax certificate (IRP5 or IT3(a))?

It reflects remuneration earned, certain deductions allowed and employees' tax deducted or withheld during the period of employment in a particular tax year.

Why am I receiving it?

An employer or fund administrator must issue an IRP5 or IT3(a) to an employee who earns remuneration, or a client who receives income. The IRP5 or IT3(a) shows the total remuneration earned or income received and the total deductions for the year of assessment.

What is the difference between an IRP5 and an IT3(a) tax certificate?

An IRP5 shows tax that was due and deducted. An IT3(a) shows that no tax was deducted, so the source code 4150 is used with the reason why tax wasn't deducted.

When will you issue an IRP5 or IT3(a) tax certificate?

We must give you a tax certificate if you have received any of the following:

Salary income	Regular income	Lump sum payments from retirement funds and certain types of transfers from retirement funds
<ul style="list-style-type: none"> • A fixed salary • Commission 	<ul style="list-style-type: none"> • Income from an annuity • Permanent health insurance income • Maintenance claims 	<ul style="list-style-type: none"> • Once-off withdrawals before retirement • Withdrawals at retirement • Death claim payments • Section 14 transfers (explained later) • Divorce order withdrawals

How will I know if Sars received my certificate details from Momentum?

The income received, PAYE deducted and directive detail (where relevant) will already be prepopulated on your income tax return (ITR12) by Sars in the employee tax information section (IRP5/IT3(a)). Should there be any differences in your registered details at Sars and the information you gave us, eg identity number and income tax reference number, the IRP5/IT3(a) information may not be prepopulated on your tax return and you may be asked to visit your nearest Sars branch for verification purposes.

What should I do with the certificate?

Use the information on it to check any prepopulated sections on your tax return or to complete any sections that haven't been prepopulated. Keep the certificate for your records.

What if I have more than one IRP5 or IT3(a) certificate?

If, for example, you have worked for two employers during the year of assessment and also received income payments from an annuity, you need three separate IRP5 or IT3(a) certificates. You will have to show that you have received three certificates when completing the questionnaire on the first page of the income tax return (ITR12) before the information will be prepopulated.

Should I register for tax even if my yearly income is below the threshold?

All taxpayers earning any remuneration above R350 000 a year, or any other non-remuneration income, must submit a return. Since 2012, if you have more than one source of remuneration, you must be registered for income tax and is required by Sars to submit a tax return. Anyone who receives any form of income (eg annuity income), even if the income is below the tax threshold, must register.

Where can I get more information and help with this tax certificate?

Speak to a registered tax practitioner or visit taxtim.co.za (a Multiply partner), who can help you file your tax return. You can also contact Sars on **0800 007 277** or visit its website at sars.gov.za.

Specific questions and explanations

Why is my income shown next to source code 3699 (gross employment income) and not code 3697 (retirement fund income)?

This income isn't taken into account by your employer to calculate your pension or provident fund contribution if you are a member of your employer's retirement fund. It is also referred to as non-pensionable income.

Why do you report the section 14 transfer with a 3920 code, which is a taxable income code?

Momentum must inform Sars of any movement of money, therefore we apply for a nil directive and issue an IT3(a) tax certificate to you. As this type of transaction is seen as an accrual for tax purposes, we are obligated to issue a tax certificate.

You are entitled to a deduction, which means you don't have to pay any tax for this transaction.

The directive number listed on the IT3(a) will ensure the deduction, but no tax will be deducted and the IT3(a) will reflect a reason code 04 that refers to non-taxable earnings (including nil directives).

What do the different source codes in this certificate mean?

Source code (local/foreign service)	Description
3601 Income (Pay-as-you-earn system or PAYE)	Salary income for the current tax year, accrual. Annuity income in respect of 2010 to 2012 tax year .
3602/3652 Income (non-taxable)	Non-taxable pension paid on a regular basis (eg war pension).

What do the different source codes in this certificate mean?

Source code (local/foreign service)	Description
3603/3653 Pension (PAYE)	<p>Any compulsory pension or annuity paid on a regular basis from the proceeds of a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund as well as backdated pension or annuity payments (for current tax year).</p> <p>The value of this code must be included in the value of code 3601/3651 for the 2010, 2011 and 2012 years of assessment.</p> <ul style="list-style-type: none"> • This includes taxable disability benefits. • This code is valid from the 1999-2009 years of assessment and from the 2013 year of assessment.
3604/3654 Pension (non-taxable)	The value of this code must be included in the value of code 3602/3652 with effect from the 2010 year of assessment.
3610/3660 Annuity from a retirement annuity fund (PAYE)	A monthly annuity paid by a retirement annuity fund or long-term insurer to any person.
3611/3661 Purchased annuity (PAYE)	<p>The taxable portion of interest received on an annuity purchased from a long-term insurer.</p> <ul style="list-style-type: none"> • A purchased annuity consists of a taxable and a non-taxable amount. The taxable portion will be reflected as code 3611 on your IRP5 or IT3(a) certificate while the non-taxable portion will be reflected as code 3612. The pension received in respect of a retirement annuity will be reflected as code 3610 on your IRP5/IT3 (a) certificate.
3612/3662 Purchased annuity (non-taxable)	The non-taxable portion (capital) received on an annuity purchased from an annuity fund.
3614/3664 Other retirement lump sums (PAYE)	<p>Retirement lump sum benefits paid:</p> <ul style="list-style-type: none"> • A public sector fund transfer from a pension to a provident fund while you remain in employment of the same employer. • Any amount that has become payable to you as a member of a public sector fund or is used to redeem a debt while you remain effectively in the employment of the same employer.
3901/3951 Gratuities/Severance benefits (PAYE)	<ul style="list-style-type: none"> • Gratuities, paid/payable by an employer before 1 March 2011. • Severance benefits paid/payable by an employer after 1 March 2011, in respect of retirement, retrenchment or death.
3902/3952 Pension/RAF (PAYE)	<p>Not applicable from 2010: lump sum payment with a date of accrual prior to 1 March 2009 from a pension, pension preservation or retirement annuity fund – this includes divorce orders and retrenchment payments.</p> <p>The value of this code must be included in the value of code 3920 or 3921 (where applicable) with effect from the 2010 year of assessment.</p>
3903/3953 Pension/RAF (PAYE)	<p>Lump sum payments prior to 1 October 2007 from a pension fund or retirement annuity fund in respect of retirement or death.</p> <p>The value of this code must be included in the value of code 3915 with effect from the 2008 year of assessment.</p>
3904/3954 Pension/RAF (PAYE)	<p>Not applicable from 2010: lump sum payment with a date of accrual prior to 1 March 2009 from a provident or provident preservation fund – in respect of withdrawal (eg resignation, transfer or surplus apportionment).</p> <p>The value of this code must be included in the value of code 3920 or 3921 (where applicable) with effect from the 2010 year of assessment.</p>
3905/3955 Provident (PAYE)	Lump sum payments prior to 1 October 2007 from a provident fund in respect of retirement or death. The value of this code must be included in the value of code 3915 with effect from the 2008 year of assessment.

What do the different source codes in this certificate mean?

Source code (local/foreign service)	Description
3907/3957 Other lump sums (PAYE)	Lump sum payment by an employer due to normal termination of service (eg resignation or retirement) that is not a “severance benefit”.
3908 Surplus apportionments and exempt policy proceeds (non-taxable)	Surplus apportionments and exempt policy proceeds (excluded from taxable income). Surplus apportionments can occur if there are more assets than liabilities in the fund because: <ul style="list-style-type: none"> The returns were better than anticipated. The employer made bigger contributions than planned.
3909 Unclaimed benefits (PAYE)	Unclaimed benefits with a date of accrual (the date that you became entitled to the benefits but haven’t received it yet) prior to 1 March 2009 (GN35). According to the Pension Funds Act, an unclaimed benefit is any lump sum or pension benefit that is due to a retirement fund member (or his/her beneficiaries) that has remained unclaimed for a period of time. You cannot lose this benefit.
3915 Retirement or termination of employment lump sum benefits or commutation of annuities (PAYE)	With effect from 1 March 2011 , the retirement lump sum tax rate is applicable to the single payment that has substituted the periodic payments (also referred to as commutation) of a living annuity with tax code 4115. Lump sum payments after 1 October 2007 from a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund. Lump sum payments accruing after 28 February 2009 from a pension or provident fund in respect of termination of services.
3920 Lump sum withdrawal benefits (PAYE)	Lump sum payment with a date of accrual after 1 March 2009 in the form of withdrawals from a pension, pension preservation, provident, provident preservation or retirement annuity fund – this includes divorce orders, emigration withdrawals and withdrawals due to visa expiry.
3921 Living annuity and surplus apportionments (section 15C of the Pension Fund Act) (PAYE)	Lump sum payment with a date of accrual after 1 March 2009 in the form of future surplus paid in terms of section 15C of the Pension Funds Act and due to a commutation after retirement from a living annuity. Accruals between 1 March 2009 and 28 February 2011 . Use 3915 from 2012 tax year.
3696 Gross non-taxable income	Amounts under codes 3602/3652, 3703/3753, 3714/3764, 3815/3865, 3908, 3922, 3821/3871 and 3822/3872 (excluded from taxable income).
3699 Gross employment income (taxable)	Amounts for all income source codes not included in code 3696: This code is applicable from the 2017 year of assessment onwards.
3697 RFI	Gross retirement funding employment income.
3698 Non-RFI	Gross non-retirement funding employment income. This code is applicable from the 2010 to 2016 years of assessment.
4101 SITE (Standard income tax on employees)	SITE is the portion of employees’ tax that is applicable only on the annualised net remuneration up to sixty thousand rand. It is not applicable from the 2014 year of assessment.
4102 PAYE	The PAYE deducted from income codes 3902, 3903, 3904, 3905, 3907, 3909 and 3614.
4115 Tax on retirement lump sum and severance benefits	With effect from 1 March 2011 , tax on living annuity commutations (3915). The PAYE deducted from income codes 3901, 3915, 3920 and 3921.

What do the different source codes in this certificate mean?

Source code (local/foreign service)	Description
4150 Reason for non-deduction of employees' tax	1 or 1 = director's remuneration prior to the 2003 year of assessment (invalid from 1 March 2002) 2 or 2 = Earn less than the tax threshold 3 or 3 = Independent contractor 4 or 4 = Non-taxable earnings (including nil directives) and income protection annuities from 1 March 2015 (see notes under code 3602) 5 or 5 = Exempt foreign employment income 6 or 6 = Director's remuneration – income quantified in the following year of assessment (only valid from 1 March 2002) 7 or 7 = Labour broker with valid IRP30 (only valid from 1 March 2004) 8 or 8 = No tax to be withheld due to medical scheme fees tax credit allowed 9 or 9 = Par 11A(5) fourth schedule notification – no withholding possible

Other information fields on this certificate

<div style="background-color: #f0f0f0; padding: 10px; margin-bottom: 10px;"> <p>Transaction year The tax year during which the employer deducted and paid employees' tax. This could include employees' tax on remuneration during a previous tax year.</p> </div> <div style="background-color: #f0f0f0; padding: 10px; margin-bottom: 10px;"> <p>Year of assessment The tax year in which the employee received remuneration, or when it became payable.</p> </div> <div style="background-color: #f0f0f0; padding: 10px; margin-bottom: 10px;"> <p>Period of reconciliation This period indicates the time for the employer or fund administrator to reconcile and submit tax certificates and contributions for the year to Sars.</p> </div> <div style="background-color: #f0f0f0; padding: 10px;"> <p>Directive number Number of the directive issued by Sars relating to the specific income. It is mandatory if any of these codes are completed with values (3608, 3614, 3707, 3757, 3718, 3768, 3901, 3902, 3903, 3904, 3905, 3909, 3915, 3920, 3921 and/or 3922).</p> </div>	<div style="background-color: #f0f0f0; padding: 10px; margin-bottom: 10px;"> <p>Bank account details For security purposes, bank account details aren't shown on printed and email versions of the tax certificate. The unscrambled version is sent to Sars via a secure portal as part of the reconciliation submission, as required for reporting. It is important that you check your bank account details, and correct if needed, before submitting the income tax return (ITR12). Without accurate banking details Sars can't pay a refund, if applicable. To avoid fraud and theft, Sars only pays refunds electronically into verified cheque, transmission or savings bank accounts held in the name of the taxpayer at a registered South African financial institution.</p> </div> <div style="background-color: #f0f0f0; padding: 10px;"> <p>Personal details Please make sure that the details you provide to us and your registered details at Sars match. Should there be any differences, eg identity number and income tax reference number, the IRP5/IT3(a) information will not be prepopulated on your tax return and you may be asked to visit your nearest Sars branch for verification purposes.</p> </div>
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Financial wellness is about you and your money and how you use the money you earn to make a living and shape your financial future throughout the different stages of your life and that of your family.

How you structure your income, and therefore your tax payable, can have a significant impact on your financial wellness. A financial adviser or registered tax practitioner can help you understand how to best structure your tax.

Disclaimer:

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