

Future-Proofing Payroll: HR Leads with Automation



Payroll and human resources (HR) teams at small and medium businesses (SMBs) in South Africa have seen a profound shift in the regulatory, technology and business landscape over the past five years. From an increasingly complex tax and labour regulatory environment to the rise of more flexible working models, and - with 43% of global HR leaders adopting cloud technologies - they've had their hands full adapting to the changes.

According to a Sage research report, 'The Changing Face of HR,' 95% of HR leaders have taken on more responsibilities in their roles in the last year, while 91% reported that their workload and working hours have increased. Furthermore, 77% believe that artificial intelligence (AI) could revolutionise ways of working in their company.

Furthermore, with the South African Revenue Service (SARS) and the government set to introduce significant changes to tax administration - and payroll's central importance in the employee experience - payroll teams can expect even more disruption in the coming years.

Here are some of the key developments and trends that will reshape the payroll function in the years to come:

Modernised tax collections

Personal income tax—including PAYE—is the South African government's most reliable income stream and contributes more than a third of total tax revenues. For that reason, SARS is focused on streamlining payroll tax collections and enforcing compliance. In the next couple of years, we will see one of the most

important changes to the PAYE regime since the introduction of e@syFile and eFiling.

The modernisation project is an ambitious initiative to modernise personal income tax collection, reducing non-compliance and providing taxpayers with a near real-time view of their tax obligations. This means that employers will be required to submit tax certificate information monthly, as opposed to submitting it twice a year. Over time, the need for employers to submit PAYE annual reconciliations is expected to fall away, as well as the requirement for most taxpayers to file personal income tax returns. The introduction of the SARS PIT (personal income tax) modernisation project aims to modernise personal income tax collection and reduce the burden of payroll administration.

The change could reduce tax administration in the longer term, but the transition will be challenging—especially for companies with manual or legacy payroll systems.

All these landscape changes present an opportunity for SMBs to reassess their legacy systems and digitisation strategies to keep pace with evolving industry standards and maintain compliance.

Additionally, this strategic review can offer significant benefits to businesses by enhancing operational efficiency and improving customer service.

Compliance beyond tax and labour laws

Compliance for HR and payroll teams is no longer only about tax and labour law—they increasingly also need to manage compliance with data privacy. Laws such as the Protection of Personal Information Act (POPIA) and General Data Protection Regulation (GDPR) mean HR and payroll teams are now seen as stewards of employee and candidate personal information. The penalties for non-compliance are stringent and the risks of breaches and cyber-attacks are growing.

Cloud solutions can bridge the compliance gap for HR and payroll teams in several ways in terms of automated compliance updates, as well as to have advance encryption and security technologies that can protect sensitive employee data.

AI-fuelled disruption

We are starting to see a range of use cases for AI in the payroll function, which could potentially help payroll managers reclaim dozens of hours that they spend on red tape each month. Machine learning (ML) and AI could be used to streamline data loading, validation, and reconciliation, detect anomalies and errors, and provide rich data insights. This level of automation should enhance the accuracy of payroll data and reduce risks of fraud. In future, we could see companies use generative AI-powered bots like ChatGPT to answer employee questions or enable payroll teams to query a knowledge base for help with process, policy, and regulatory concerns.

The next generation workforce

While many companies have called employees back to the office full-time post-COVID, hybrid and remote working models are here to stay for many teams and businesses. Indeed, we were already seeing many businesses move towards a more fluid mix of remote, office-based, full-time, part-time, contractor and

freelance talent before the pandemic. Many payroll and HR employees are themselves remote or hybrid workers. Payroll systems and processes need to keep evolving to keep up with this changing workforce.

Towards an integrated view of HR and payroll

Another important trend we are seeing is that many SMBs are looking to bring HR and payroll information together in a single system. Such an approach means that they have a single, consistent view of employee data and that they do not need to recapture employee data in different systems. Another benefit flowing from integrated HR and payroll data is that the business has accurate, real-time business information to support better decision-making.

For example, companies can tap into data about absenteeism, overtime, employee attrition and retention, compensation, and performance to measure employee wellness, engagement, and productivity. This gives HR and business leaders the insights they need to make better decisions and shift their people strategies—for example, how to shape rewards and incentives programmes to retain talent or even how to anticipate when an employee is at risk of resigning.

Integration between payroll and HR systems also facilitates self-service apps that empower the workforce and enhance the employee experience. Self-service functionality allows employees to submit leave requests, update their personal information, access HR policies, review their performance, apply for leave, record hours worked, submit expense claims, and more. This saves time for everyone in the business.

The cloud has become a foundational technology for payroll

Payroll teams that rely on legacy systems or manual approaches like spreadsheets will find it challenging to keep ahead of the trends we discuss in this article. Companies that have not renewed their payroll technology for years can benefit from fast-tracking their move to the cloud. A cloud-based system allows HR and payroll employees to work online and collaborate wherever they are. It is also the foundation for real-time workflows, data-driven decisions, and AI adoption.