



PAYROLL POLICY

FY
[2026 – 2027]

MOLEMOLE LOCAL MUNICIPALITY PAYROLL POLICY

2026/2027

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1. BACKGROUND

Employees expect and should receive payment of their salaries on a periodical basis and therefore processing and maintaining accurate payroll records is an extremely important function requiring strict controls and close management.

Overall, payroll is the largest type of expenditure for the Molemole Municipality. Timely and accurate payroll reporting is necessary to appropriately budget, plan and manage costs and to correctly report on the financial transactions, balances and disclosures of the Municipality. Payroll transactions are no different from any other expenditure and require the application of the same standard of internal control.

2. PURPOSE

The purpose of this policy is to guide Molemole Municipality in the administration of its remuneration and to clearly establish rules that regulate matters pertaining to payroll in order to:

Regulate the payroll function as a unit in the Budget and Treasury Department.

Attract, motivate staff and retain critical skills necessary for the fulfilment of the municipal mandate.

Serve as a guide to employees and as to when and how their salaries and allowances are paid.

3. SCOPE

This policy will apply to all employees of Molemole Local Municipality save for the Municipal Manager and Managers reporting directly to the Municipal Manager in terms of sections 56 and 57 of the Municipal Systems Act of 2000.

4. DEFINITIONS

4.1. The following definitions will apply in this policy:

4.1.1. Basic salary is the amount of pay that is determined according to the task grade or level according to which the employee is appointed. It refers to the cash component of monthly remuneration without benefits and prerequisites.

4.1.2. Total cost of employment refers to a combination of basic salary and employee benefits.

4.1.3. Market rate analysis is the process of identifying the rates of pay in the labour market for comparable jobs so as to inform decisions on levels of pay within the organisation.

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4.1.4. Employment benefits include pension, leave, travel and subsistence allowance, housing allowance, cell phone allowance, medical aid etc.

5. STATUTORY FRAMEWORK AND REGULATIONS

5.1. STATUTORY FRAMEWORK

Various pieces of legislation, agreements and retirement and medical aid scheme rules impact on the payment of salaries, wages and allowances. They are:

5.1.1. Municipal Finance management Act, 2003

5.1.2. Income Tax Act 58 of 1962, - The income tax obligations with regard to the pay as you earn (PAYE) of employees and Councillors alike are determined in accordance with this Act.

5.1.3. Unemployment Insurance Contributions Act 4 of 2002 – It regulates, inter alia, the compulsory contribution of employees and employers to the fund in accordance with a prescribed formula.

5.1.4. Conditions of service – Full time and part time employees are paid a salary or wage in terms of the condition of service or contract of employment applicable to Molemole and its officials. Allowances such as standby and other fringe benefits are examples.

5.1.5. Bargaining Council Agreements – Various Collective Agreements reached between the employer, represented by the South African Local Government Association (SALGA) and representatives of organised labour at the South African Local Government Bargaining Council (SALGBC) have a direct bearing on the payment of salaries, wages and allowances at municipal level. Examples of such agreements are annual salary increases, leave allocations, housing allowances, Bargaining Council levies and contributions to employees unions.

5.1.6. Basic Conditions of Employment Act, 1997 – It regulates the right to fair labour practices conferred by the Constitution, by establishing and enforcing basic conditions of employment and regulating any variations to basic conditions of employment.

5.1.7. Skills Development Act, 1999 (Act 9 of 1999) – In terms of this Act, the municipality is required to contribute a prescribed percentage of the employees' remuneration to a Skills Development Fund established by the Sectoral Education and Training Authority (SETA) for Local Government.

5.1.8. Municipal Systems Act 32 of 2000, as amended

5.1.9. Pension Fund Act, 1956.

5.1.10. Medical Schemes Act, 1998

5.1.11 Remuneration of Public Office Bearers ACT 20 of 1998- In terms of this Act, municipal Councils are graded according to their rates of income and the number of

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registered voters , and the upper limits of salaries of full time and part time Councillors are determined according to these grades.

5.2. STATUTORY REQUIREMENTS:

5.2.1 Section 65 of the MFMA sets out the general responsibilities with regards to expenditure, while section 66 sets out the specific reporting requirements by the municipality.

5.2.2. The accounting officer is required to report to Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits in a manner that discloses such expenditure by type.

5.2.3. A system of internal control in respect of creditors and payments must be implemented and maintained.

5.2.3.4. Statutory and other relevant commitments must be complied with.

5.2.4. Payments by Molemole municipality must be made directly to the person to whom it is due.

5.2.5. All the salary related accounts of the municipality must be closed at the end of each month and reconciled with its accounting records

6. POLICY PROVISIONS

6.1. The Municipality will remunerate its employee's fair and competitive salaries, taking into cognisance prevailing market rates in similar municipalities and the ability of the municipality to sustain the salaries budget.

6.2. The Municipality will reward its employee's equal pay for same task grade and level and will not discriminate based on gender or age.

6.3. Senior Managerial employees will be paid on a total cost of employment basis and will be allowed to structure their packages (within limits of the law) to suit their individual needs.

6.4. Remuneration levels of the rest of the other employees, i.e. shall be guided by, and adhere to SALGA Bargaining Council Agreements on salaries and allowances.

6.5. The Audit and Risk committees (if any) shall be paid together with the employees and Councillors on the salary run date.

6.6. The learners (if any) shall be paid together with the EPWP and Ward Committees on or before the end of each month.

6.7. Confidentiality will be observed in all matters relating to individual salaries; the municipality will ensure that all confidential information about employees is safeguarded and individual privacy rights are respected by all means.

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6.8. Requests for electronic fund transfers outside the payroll system shall be allowed under exceptional circumstances and must be duly authorised by the Chief financial officer.

6.9. Change of banking details shall only be allowed if the employee produces a bank approved document. This shall be done by the manager.

7. EMPLOYEE REMUNERATIONS

It is basically made up of the following four components:

7.1. Basic Salary

7.1.1. Molemole Municipality employees are paid a fully taxable salary in terms of their conditions of service or contract of employment. Basic salary is determined according to the Task grades and level to which the employee is appointed. It is based on an ascending scale of notches which the employee attains according to their length of service. Salaries are paid in arrears on the 20th towards the end of each calendar month. If the 20th falls within a weekend or the following Monday, salaries shall be paid on a Friday preceding the weekend.

7.1.2. Annual Bonus

Molemole municipality pays its employees a fully taxed annual bonus or "thirteenth cheque" which forms part of their basic salary. It is equal to one month's salary and is paid to all employees (except the municipal manager and managers reporting directly to him, unless they have structured their salaries as such) on one completed year of service. It is upon the discretion of the employee to spread their bonus tax throughout the year.

7.1.3. Long Service Bonus

Employees are also paid fully taxable long service bonuses, at the conclusion of the first 5 years, followed by 10, 15, 20, 25, 30, in that order. Long service recognition will be pro-rated for employees on termination of service.

7.1.4. Salary adjustments

Basic salaries are adjusted as a result of any of the following events:

A general increase for all employees agreed nationally at the Bargaining Council 4.75% and

Progression to a higher notch of 2, 4% on the salary scale a month after the annual bonus.

The adjustment of all other salary related allowances and fringe benefits shall be made based on the Collective Agreement C on conditions of service for the Limpopo Division of the SALGBC and the BCEA.

7.2. ALLOWANCES AND FRINGE BENEFITS

The following allowances and fringe benefits are commonly applicable, and are paid in

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addition to the basic salary:

7.2.1. Overtime

7.2.1.1. It is only paid to qualifying employees according to the threshold determined by the Minister of Employment and Labour. As from 1st April 2025, the threshold has increased from R254 371.67 per annum (R21 197.64 per month.) to R261 748.45 per annum, which translates to (R21 812.37) per month. It shall increase every year at a prescribed rate by which the general salary increase.

7.2.1.2. It is paid in terms of the Collective Agreement on conditions of service for the Limpopo Division of the SALGBC, subject to the provisions of the Basic conditions of employment Act (BCEA) and is fully taxable.

7.2.1.3. It varies between an hourly rate equal to time and a half from Monday to Saturday or double time on Sundays and Public holidays.

7.2.1.4. A memorandum is prepared by the user department to request the Senior Manager, CFO and the Accounting Officer to authorise the overtime before the job is executed.

7.2.2. Standby allowances.

7.2.2.1. It is paid in terms of the Collective Agreement on conditions of service for the Limpopo Division of the SALGBC, subject to the provisions of the Basic conditions of employment Act (BCEA) and is fully taxable.

7.2.2.2. It applies to officials who are required to be on standby after official working hours, overnight, on weekends or on public holidays to render special services such as, electricity, plumbing repairs, water supply, mechanics, refuse removal, driving services, etc. 7.2.1.3. Standby payments shall be calculated as follows:

Per week	=	R1293.16
Monday to Friday	=	R157.95
Saturday	=	R238.10
Sunday	=	R323.05

It shall increase every year at a prescribed rate by which the general salary increase

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7.2.3 Housing allowances

7.2.3.1. They are fully taxable and are normally a fixed amount governed by agreements reached at the Bargaining Council. For 2026/27, it is R1 225.82 for all qualifying employees.

7.2.3.2. Qualifying employees are those that the bond is registered in their names.

7.2.3.3. The allowance shall only be payable to homeowners who are currently paying for their houses.

7.2.3.4. Homeowners shall submit statement of accounts once per annum on request, as proof that the employee still pays.

7.2.4. Fixed travel allowance

7.2.4.1. This allowance is based on a percentage, i.e. 25% of the basic salary of employees who qualified until June 2022, and 18% of the basic salary of qualifying employees as from July 2022 henceforth. The percentage shall remain in force until adjustments as approved by Council.

7.2.4.2. Qualifying employees shall submit proof of ownership of the vehicle together with driver's licence when they claim for the first time with their car. The car registration documents and driver's licence must be in the name of the employee.

7.2.4.3. For 2024/25, 80% is taxable on all employees receiving a fixed travel allowance according to the tax tables.

7.2.5 Cellphone and data allowance

7.2.5.1. It is a fully taxable allowance and in Molemole municipality, it is an after tax payment which is restricted to certain levels of employees, i.e. For Senior managers it is R3 333, line managers R2000 and other employees occupying specific positions get R1 175..

7.2.5.2. The qualifying employee must have cell phone to enable data usage even after working hours.

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**7.2.6 Subsistence and Travel Allowances**

7.2.6.1. They shall be paid to employees in terms of the S & T policy adopted by the municipal Council.

7.2.6.2. Molemole Municipality uses the department of Transport rates and rates predetermined by SARS. Part of these allowances are subject to income tax and part are not.

7.2.6.3. Molemole municipality is using Department of Transport rates which are most often less than the current (2025) SARS predetermined rate of R4,84.(R4,76 in 2026) In such case part of the Department rate which is above the SARS rates is regarded as a benefit and shall be subjected to 100% income tax.

7.2.6. Laptop allowance

Molemole Municipality provides Laptop allowance to its senior and line managers in according with the laptop policy. Just like the cellphone and data allowance , the laptop allowance is an after tax payment of R1 307,70.



7.3. Other remunerations

7.3.1. They shall be paid according to the approved council resolutions, and/ or in accordance with their conditions of service, and are fully taxable, e.g., Danger allowance, Incidental allowance, clothing allowance, etc.

7.4. Third party deductions from employees' remuneration and the Molemole municipality

Deductions are grouped into two categories, statutory deductions and personal deductions.

Statutory deductions are compulsory deductions in terms of legislative requirements and conditions of service. They have to be administered as part of the payroll payments process.

7.4.1. Contributions to Pension and/ or Provident fund

They represent the employee's share of the monthly payment to the relevant Pension/ Provident fund scheme.

They are governed by the applicable conditions of service as well as the rules of the scheme concerned.

They are exempt from tax in so far as they do not exceed a prescribed percentage currently 7, 5%) of the employee's basic salary.

The membership fee is shared between the employee and the municipality according to the ratio 7, 5%: 22% for employees who were in the system until 2017 and 7, 5%:18% for employees who joined the system in 2018, SALGA capped the employer contribution to 18%.

7.4.2. Contributions to Medical Aid schemes

They represent the employee's share of the membership fee of the medical aid scheme concerned.

The membership fee is shared between the employee and the municipality according to the ratio 40%:60%.

The employee's contributions to medical aid is subject to income tax.

7.4.3. PAYE

The income tax obligation of employees is determined on the basis of the basic remuneration which includes salary, bonus and taxable allowances.

The tax tables issued by SARS annually are used to calculate PAYE deductions. 25% applies to remuneration paid to the non – standard employment employees, e.g. Audit committee and Risk committee.

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7.4.4. Contributions to the UIF

Contributions to the UIF are shared between the employee and the municipality according to the ratio 50:50.

The maximum UIF payable by the highly paid employee is R177.12 per month as from 1st March 2022.

Individual contributions by an employee are not tax deductible.

7.4.5. Contributions to unions and bargaining council. (R12.55)

Membership of a union is voluntary, in accordance with the employee's constitutional right to freedom of association.

Molemole Municipality employees contribute to SAMWU and IMATU. Employees who decide not to join any of the mentioned unions, together with the Senior Managers contribute automatically to SALGA. Payroll deduct from the member's basic salary and make the payment over to the union concerned.

A standard levy in the ratio 50:50 by the employee and the municipality is payable to the Bargaining Council on a monthly basis.

Individual contributions by an employee are not tax deductible.

8. Pay frequency and payment method.

8.1. Submissions of Memoranda from the Human Resource Management should be made on or before the 13th of each Salary month and all S & T claims should be submitted on or before the 7th day of the month to allow payroll staff enough time to process them and be able to detect errors in time. In order to ensure proper control over payment procedures, it is imperative that all advices from HR department to the Payroll Office be in writing and authorised by officials designated for this purpose.

8.2. Molemole Municipality has a monthly payroll cycle and no advance salary payments shall be implemented. Molemole salaries, like any other municipality, are paid in arrears and their specific date of payment is the 20th; which is a date towards the end of each calendar month. Where the 20th falls within a weekend and on Monday, the previous working day shall apply as the pay day.

8.3. Salaries shall be paid directly into the employees banking accounts and no cheques shall be issued.

8.4. In case of the death of an employee, the salary of that month shall be paid into the account of the beneficiary provided by the family.

8.5. Requests for electronic fund transfers outside the payroll system shall not be allowed under any circumstance.

8.6. Change of banking details shall only be allowed only if the employee produces a

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bank approved document.

9. RATES AND MUNICIPAL PAYMENTS

A deduction in terms of the Municipal Systems Act, section 103, shall be effected. As to how much per month shall be subject to the consent of the employee concerned.

10. OVER AND UNDERPAYMENTS

It is important to Molemole Local Municipality that employees are not overpaid nor underpaid.

Overpayments and underpayments may result from the following situations:

System changes

Tax changes,

Human error, etc.

The municipality will seek reimbursement from the current and former employees in accordance with all Collective Bargaining Agreements, Credit Control, and Debt Collection Policies applicable and available laws of the country.

Where the overpayment error is detected hours or days after the overpayment was made, the municipality will recover the full amount by which the employee was overpaid.

Where the overpayment error is detected months after the overpayment was made, the municipality will make a fair and equitable repayment schedule (instalments payments) if total repayment is not possible. The payment should be continuous (unbreakable) till the amount is fully recovered.

Where the underpayment error is detected in the same salary month or at anytime, the amount will be paid in full.

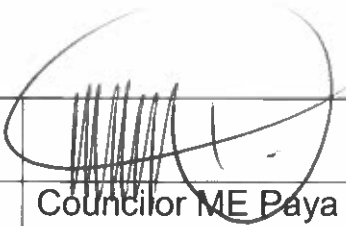
11. Pay Advances

According to MFMA section 164, pay advances are not permitted. Molemole Municipality shall thus uphold this law.

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**12. Endorsement.**

The Policy shall come into effect on the date of endorsement and shall cease only in the event where changes / variations has been signed by the Accounting Officer. Changes resulting from change in legislation or any mandatory order will have automatic effect.

Signature	
Initial & Surname	Councilor ME Paya
Designation	Mayor
Council Resolution Number	OC/28/05/2026/4.2.1
Council Date	28 May 2026