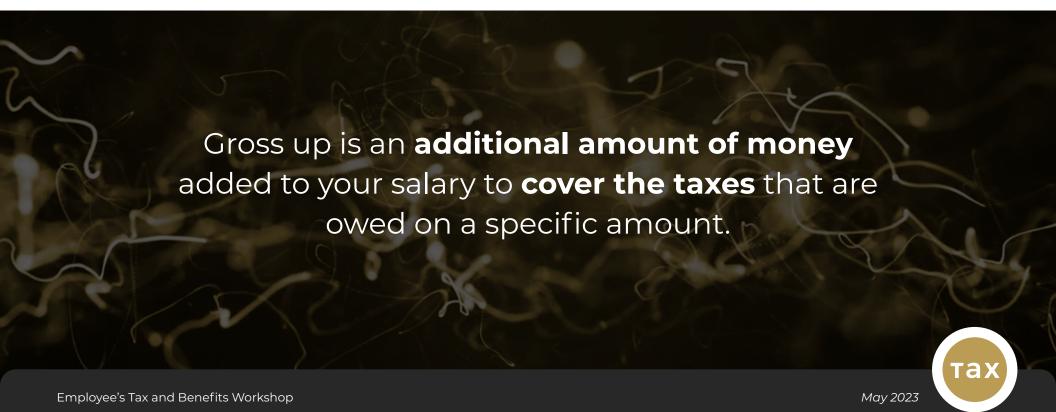


### GROSS UP

### **DEFINITION:**

When you gross up an employee's wages, you increase the payment to account for taxes and other deductions. As a result, you can give the employee a specific net pay.



# GROSS UP: SIMPLE EXAMPLE

| CASH ALLOWANCE: | NO | GROSS UP: | TA | X ADDED: | GI | ROSS-UP: |
|-----------------|----|-----------|----|----------|----|----------|
| Cash Earnings   | R  | 1,000.00  | R  | 1,000.00 | R  | 1,000.00 |
| Gross Up        |    |           | R  | 180,00   | R  | 220.00   |
| Total Earnings  | R  | 1,000.00  | R  | 1,180.00 | R  | 1,220.00 |
| Tax @ 18%       | R  | 180.00    | R  | 212.00   | R  | 220.00   |
| Net Pay         | R  | 820.00    | R  | 968.00   | R  | 1,000.00 |
|                 |    | -X-       |    |          |    |          |

Additional Cost to the Company to gross up.

## GROSS UP - EXAMPLE

#### **NORMAL PAYSLIP**

### **NORMAL PAYSLIP WITH BONUS**

#### **PAYSLIP WITH GROSS-UP**

| Payslip Example:   |              |          |                     |  |  |
|--------------------|--------------|----------|---------------------|--|--|
|                    | Divide by 12 |          |                     |  |  |
| EARNINGS           | MONTHLY      | ANNUAL   | TAXABLE<br>EARNIGNS |  |  |
| Cash Salary        | R8,333       | R100,000 | R100,000            |  |  |
|                    |              |          |                     |  |  |
|                    |              |          |                     |  |  |
| Total Earnings     | R8,333       | R100,000 | R100,000            |  |  |
| Deductions         | -R215        | -R2,575  |                     |  |  |
| PAYE               | -R131        | -R1,575  |                     |  |  |
| UIF                | -R83         | -R1,000  |                     |  |  |
|                    |              |          |                     |  |  |
| Estimated Net Pay  | R8,199       | R97,425  |                     |  |  |
| Total Annual Taxab | R100,000     |          |                     |  |  |

| Payslip Example:   |              |          |                     |  |  |
|--------------------|--------------|----------|---------------------|--|--|
|                    | Divide by 12 |          |                     |  |  |
| EARNINGS           | MONTHLY      | ANNUAL   | TAXABLE<br>EARNIGNS |  |  |
| Cash Salary        | R8,333       | R100,000 | R100,000            |  |  |
| Bonus              | R1,000       | R1,000   | R1,000              |  |  |
|                    |              |          |                     |  |  |
| Total Earnings     | R9,333       | R101,000 | R101,000            |  |  |
| Deductions         | -R395        | -R2,395  |                     |  |  |
| PAYE               | -R311        | -R1,395  |                     |  |  |
| UIF                | -R83         | -R1,000  |                     |  |  |
|                    |              |          |                     |  |  |
| Estimated Net Pay  | R8,939       | R98,605  |                     |  |  |
| Total Annual Taxab | R101,000     |          |                     |  |  |

| Payslip Example:    |              |          |                     |  |  |
|---------------------|--------------|----------|---------------------|--|--|
|                     | Divide by 12 |          |                     |  |  |
| EARNINGS            | MONTHLY      | ANNUAL   | TAXABLE<br>EARNIGNS |  |  |
| Cash Salary         | R8,333       | R100,000 | R100,000            |  |  |
| Bonus               | R1,000       | R1,000   | R1,000              |  |  |
| Gross Up            | R220         | R220     | R220                |  |  |
| Total Earnings      | R9,553       | R101,220 | R101,220            |  |  |
| Deductions          | -R434        | -R2,795  |                     |  |  |
| PAYE                | -R351        | -R1,795  |                     |  |  |
| UIF                 | -R83         | -R1,000  |                     |  |  |
|                     |              |          |                     |  |  |
| Estimated Net Pay   | R9,119       | R98,425  |                     |  |  |
| Total Annual Taxabl | R101,000     |          |                     |  |  |

Net Pay is up by R1,000