Payroll Basics

Organization set up



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What is Payroll ?

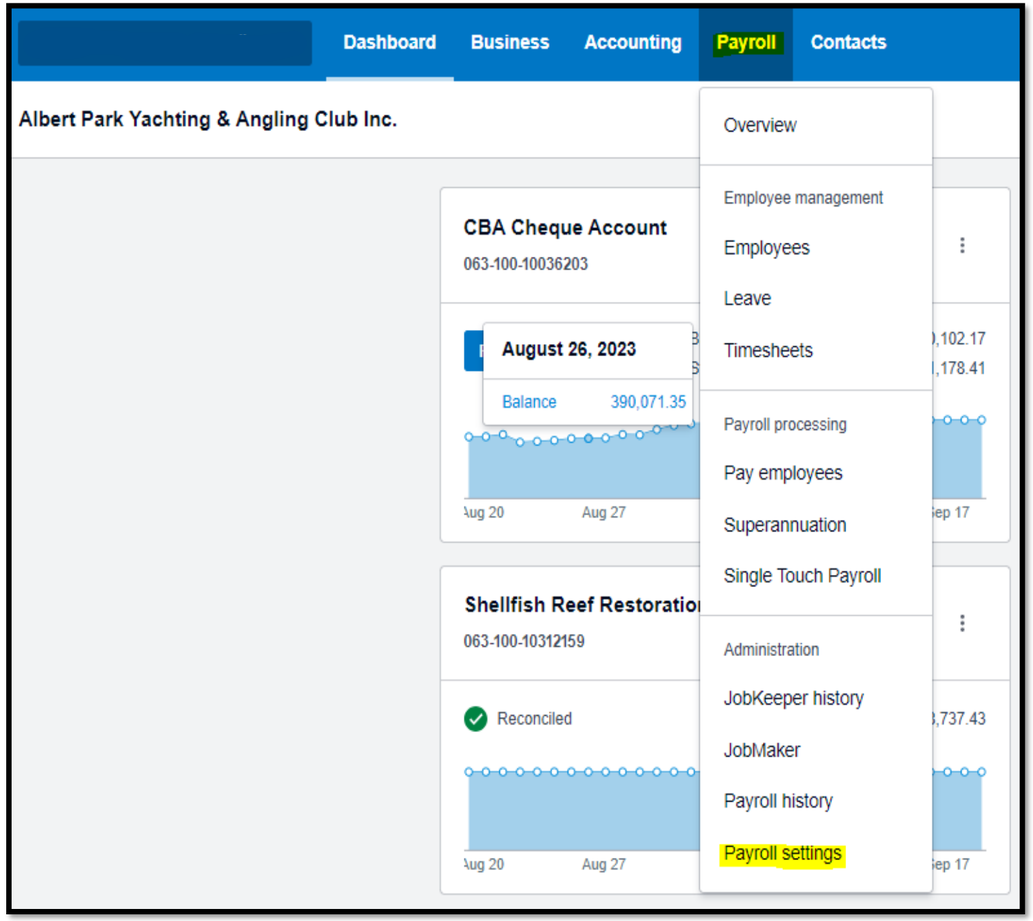
- Payroll is the company’s financial record of payments which is made by the employer to the employees which includes wages, bonus, salaries, incentives etc.
- It is the total amount an organization must pay to its employees for the work rendered by them for a set period of time.
- The period of time based on which a payroll is processed includes weekly, fortnightly, monthly or quarterly.
- It is important that the payroll is processed in time and should be error free.

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Setting up the payroll in Xero Payroll Settings:

Before getting started with the payroll, we must first set up the organization which includes fixing the liability and expense accounts, setting up the calendar, holidays, pay items and superannuation.

To set up the organization for payroll, click on ‘Payroll’ tab. In the drop down menu, click on ‘Payroll Settings’.



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Fixing the liability and expense accounts:

In the Organization Tab, we must first fix the liability and expense accounts for wages, superannuation and PAYG.

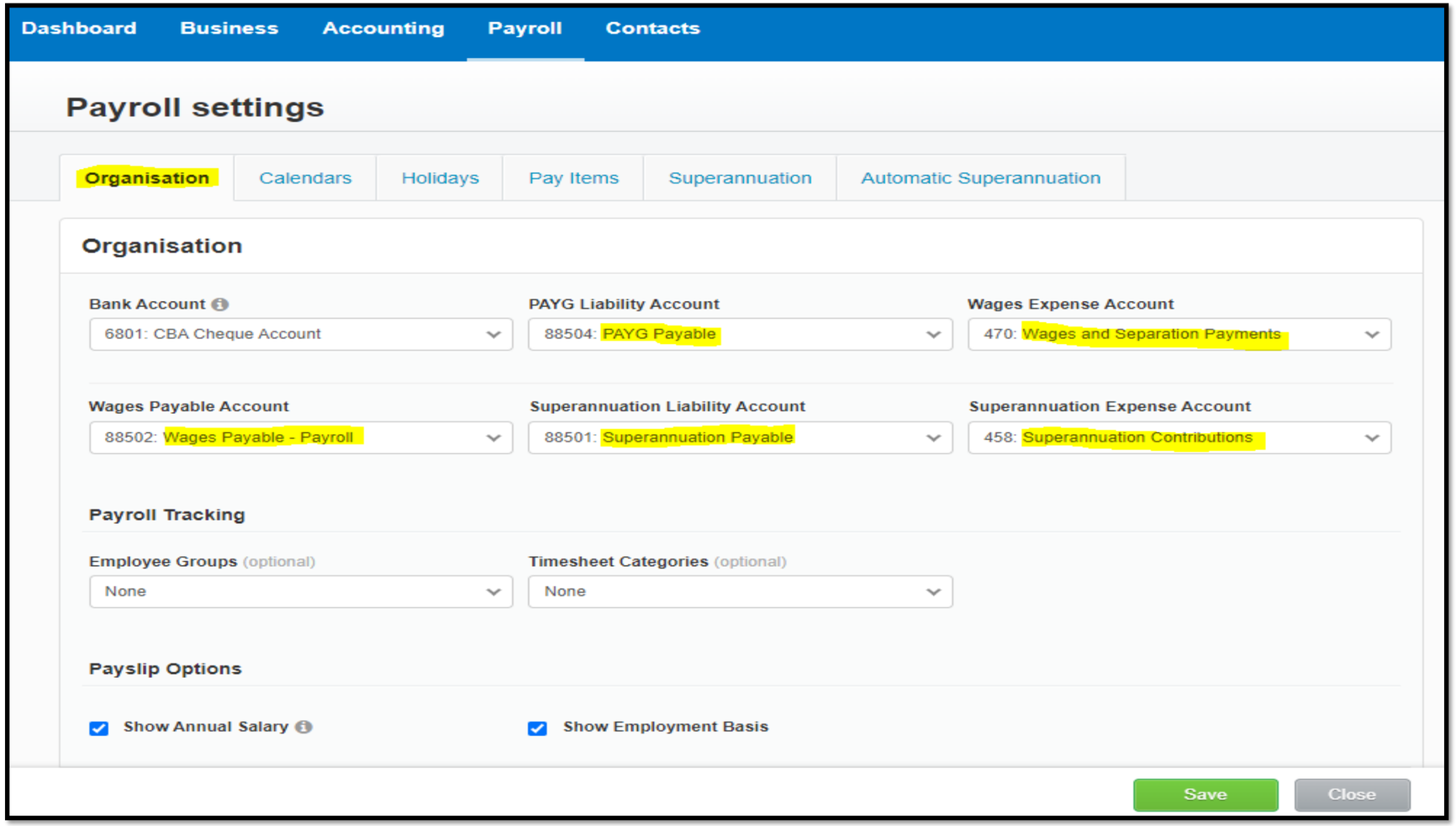
Net Wages Payable, PAYG and Superannuation Payable comes under Liabilities account.

Gross Wages and Superannuation Contributions comes under the Expense account.

Fixing the Liabilities and expense account is important as it ensures that the payroll once processed is coded to the respective accounts in the Profit & loss and Balance Sheet.

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Organization tab in Xero

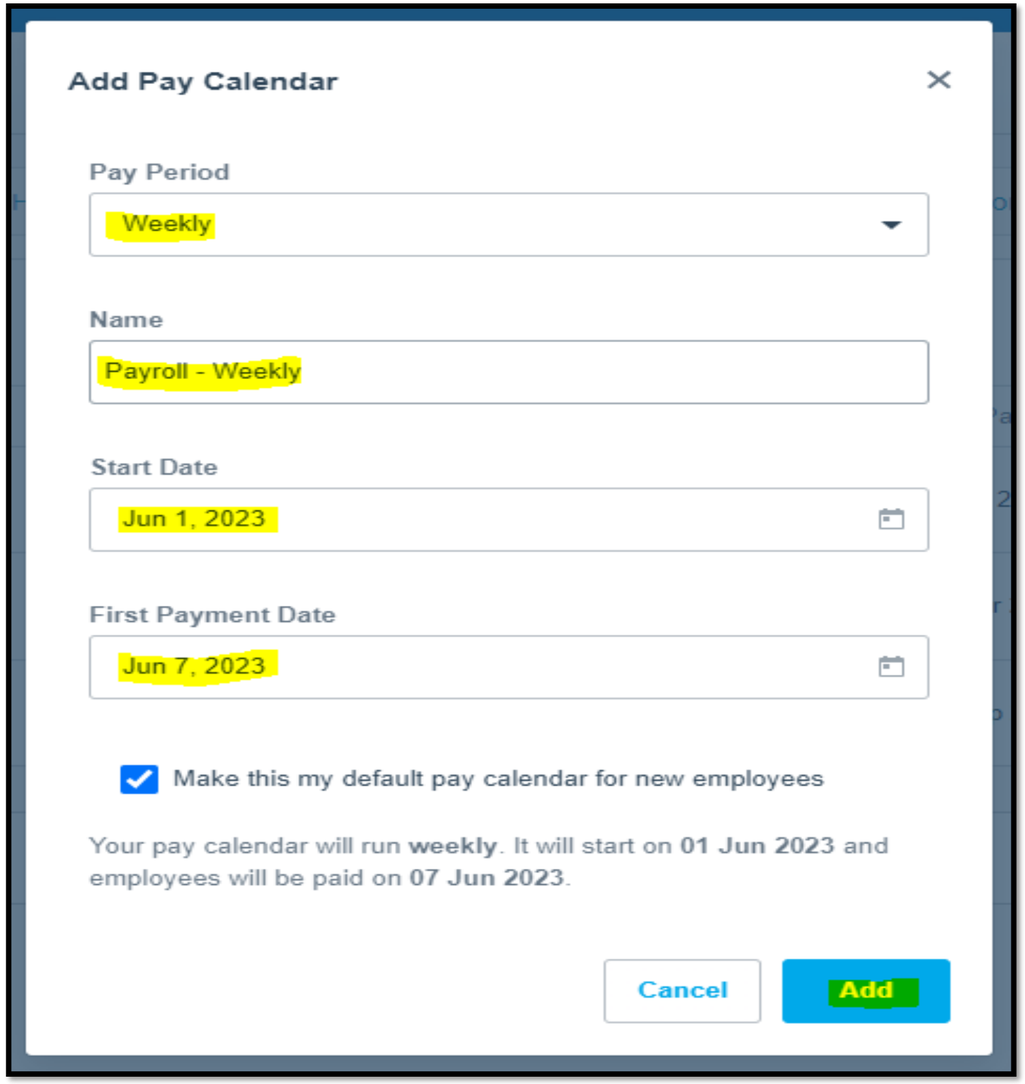


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Set up the calendar for the payroll:

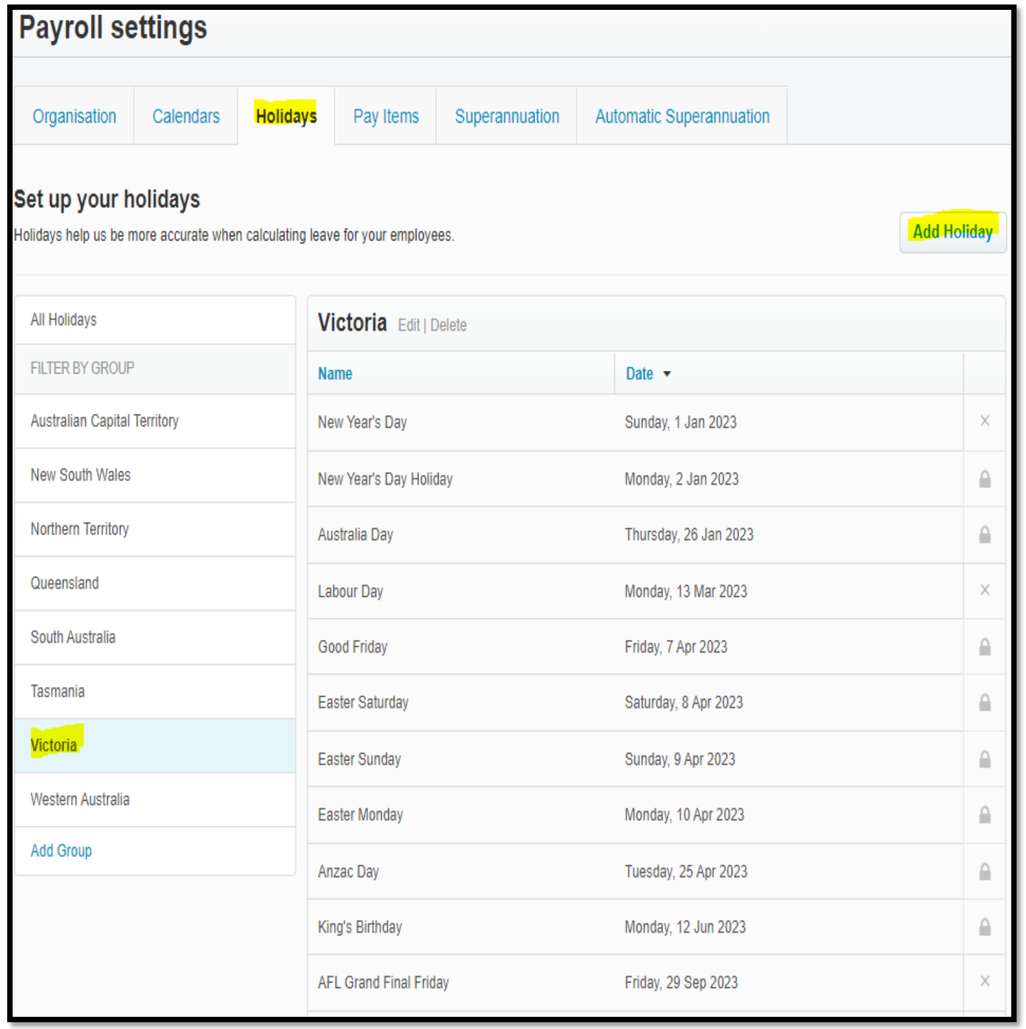
- The Pay calendar ensures that the employees of the organization are paid based on the given frequency.
- In the Calendar tab, Click on Add to add a new pay calendar.
- Select the pay period from the drop down menu. (Weekly/ Fortnightly/ Monthly / Quarterly etc.).
- Set a name for the pay calendar.
- Enter the start date from which the payrun is to be processed.
- Enter the first payment date for the payrun.
- Check the ‘Make this my default pay calendar for new employees, option if the pay calendar is applicable to all the new employees. Click on Add.
- While adding a new payrun, the name entered here will be shown along with the pay period. The start date and the payment date for the next payroll will be detected automatically.



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Add Holidays:

- The public holidays which is usually a paid leave, when requested by the employee can be easily determined by setting up the holiday groups for the respective employees.
- To add holidays in the Holiday Tab, click on Add Holiday and select the Group under which the organization falls.
- A list of all the public holidays the employee can avail paid leave for the year can be viewed.

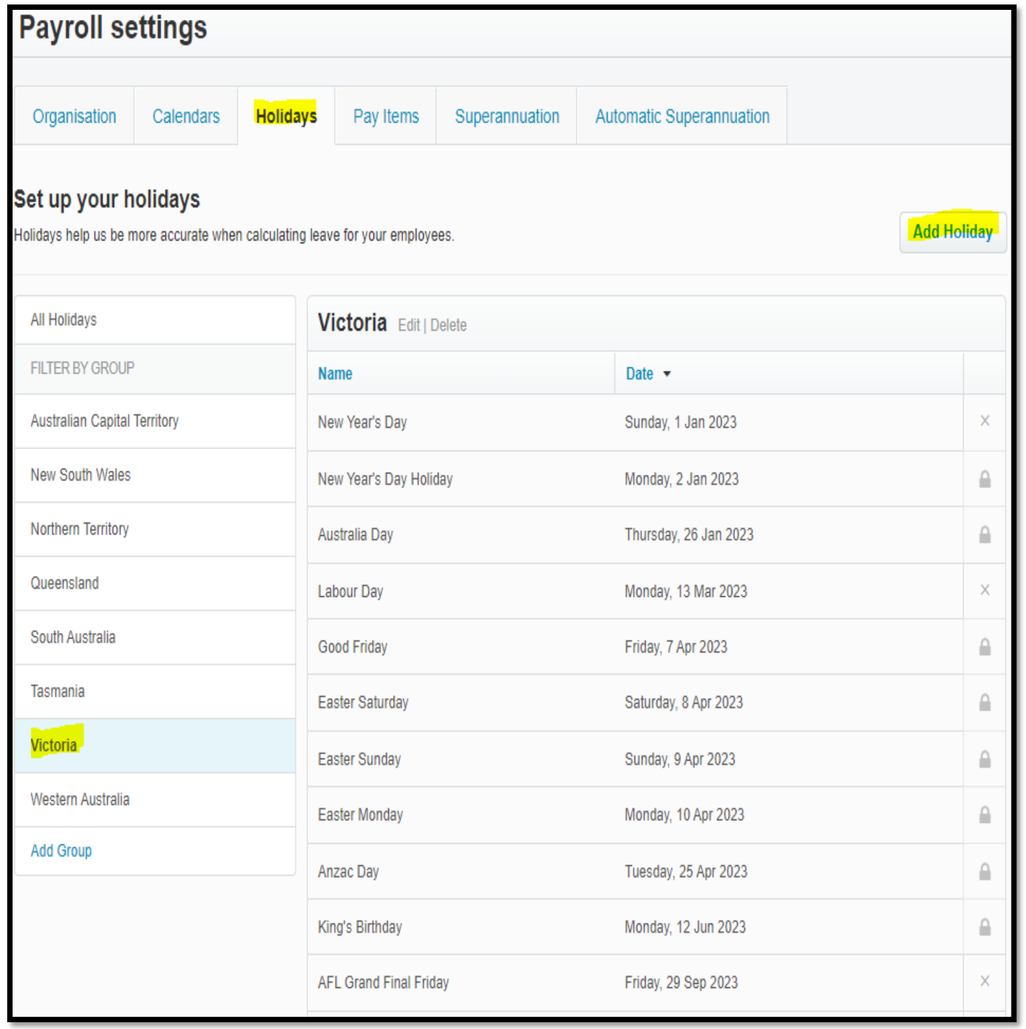


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Add Pay items:

- The wages of an employee is divided into several pay items such as Earnings, Deductions, Reimbursements and Leave.
- It is important that we set up the pay items for the organization as this is what determines the pay items that can be used while setting up an employee's pay template.
- Pay items need to be set up first only after which the pay template for individual employees can be set up.



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- **Earnings**: Pay rates such and wages, commission etc. constitute Earnings. It may be calculated by taking into consideration the total hours worked by the employee for the pay period multiplied by the hourly rate or it may be a fixed amount.

- **Deductions**: As the name suggests, deductions reduces the payments made to an employee which includes Fringe Benefit Tax, Lease Payments, union fees/ Subscriptions etc.

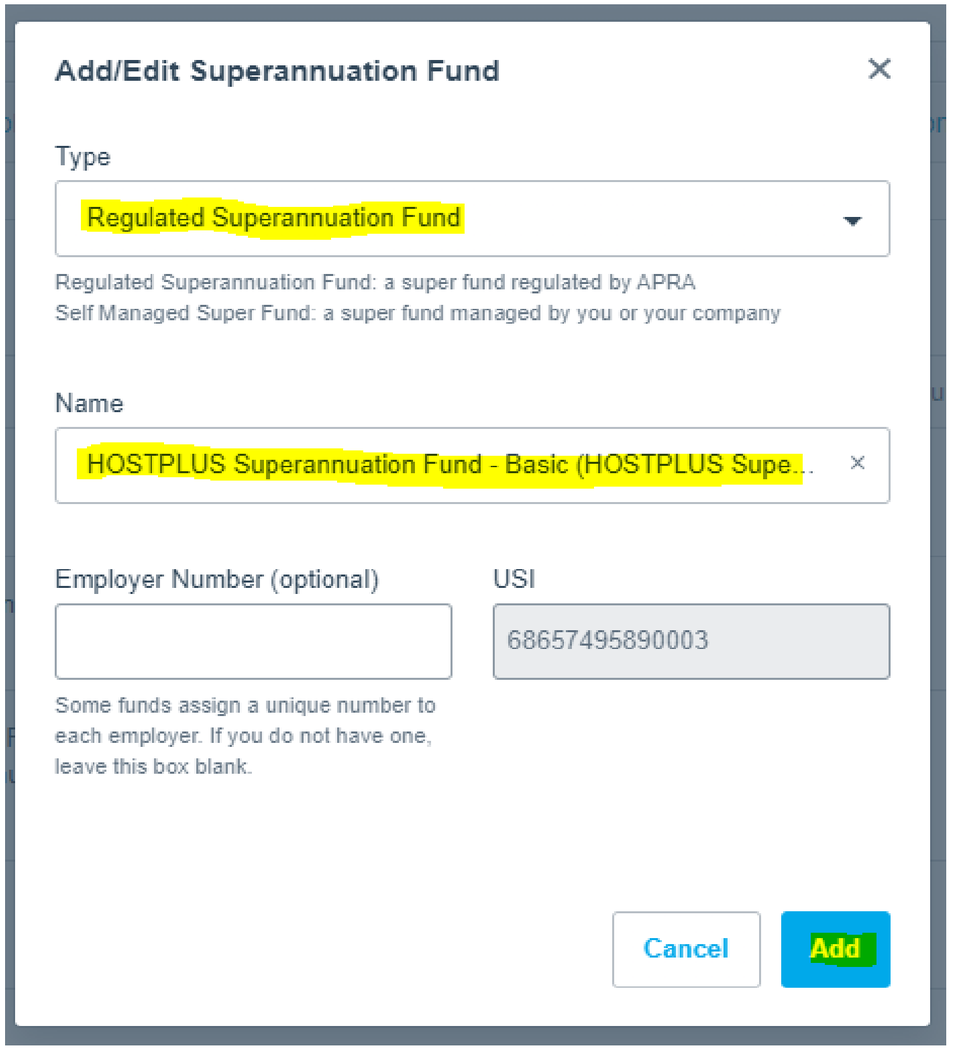
- **Reimbursements**: Reimbursements are made when an employee pays out of his pocket for the expenses incurred on behalf of the organization. As reimbursements do not form a part of the employee's pay, it will no be shown in the net pay but will be included in the Total amount payable to the employee.

- **Leave**: Based on the organization's leave policy, leaves can be added and customized. Leaves can either be paid or unpaid.

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Add the Superannuation given by the Employee:

- 'Superannuation' or in short 'Super' is a way of saving for retirement.
- In the Superannuation Tab, add the Superannuation details provided by the employee.
- The superannuation added here will be shown in the payroll when processed for the respective employee.
- In the ‘Superannuation’ tab, click on ‘Add superannuation Fund’.
- Select the fund type.
- Enter the fund name.
- Click on ‘Add’.



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Thank you

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