Lesson 3: Processing Payroll

Typically, Payroll Processing comprises of the following activities:

- Recording of Attendance and Production details (on time / work)
- Processing Payroll Vouchers
- Payment of Salaries and other statutory payments

There are three types of Payroll Vouchers namely **Attendance Voucher**, **Payroll Voucher** and **Payment Voucher**, which are by default preset in Tally.ERP 9 to record above Payroll transactions.

Payroll Vouchers are used for the purposes of operating your payroll and also records the attendance of the employees for a given period. These vouchers are basically used to input information pertaining to Payroll processing.

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3.1 Recording Attendance

An Attendance Voucher allows you to record the attendance/ production units for employees. Tally.ERP 9 gives you the flexibility to enter the attendance records through a single attendance voucher for a payroll period, or through multiple attendance vouchers as and when required within a payroll period.

In Tally.ERP 9, the auto-fill facility (**Alt+A**) is used to pre-fill the required Attendance/Production types data for the selected employee group/ employee for the specified period.

Example 1:

On 30th April, 2010 the attendance records of M/s. Spectrum Software Services displayed the following details:

Attendance/ Production Types	Vijay Kumar	Rahul	Mahesh	Ajay
Days Absent	*1*	*1*	*0*	*0*
Overtime hours	*900 Min* *(15hr x 60min)*	*-*	*-*	*720 Min* *(12hr x 60min)*

In the above scenario, separate attendance vouchers are required to be entered for recording Present days and Overtime hours.

To record the Attendance details,

Go to **Gateway of Tally > Payroll Vouchers**

□ Press **Ctrl+F5** for **Attendance Voucher**

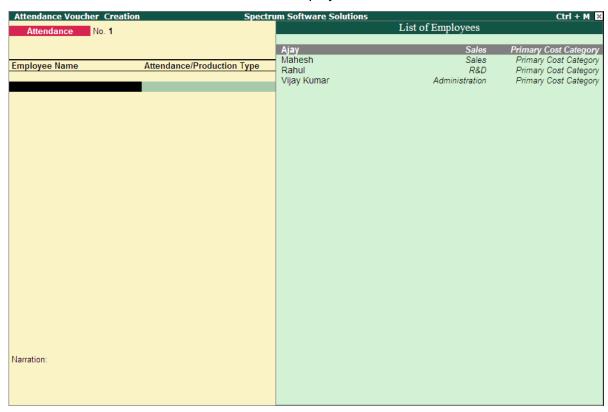The **Attendance Voucher Creation** screen is displayed as shown:

Figure 3.1 Attendance Voucher Creation screen

□ Press **F2** and specify the date as **30-4-2010**

□ Press **Enter**

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- ❑ Press **Alt+A** (Attendance Auto Fill) to pre-fill employee payroll details
- ❑ In the **Attendance Auto Fill** screen,
  - ■ Specify the **Voucher Date** as **30-04-2010** if not specified earlier
  - ■ Select **Primary Cost Category** as **All Items** (If separate cost categories are used to capture employee cost, then select the respective Employee category)
  - ■ Select **All Items** as **Employee/ Group** (if you want to generate payroll voucher for individual employee/ group, select the respective employee or group)
  - ■ Select **Absent** as **Attendance Type** in the **Attendance/ Production Type** field
  - ■ Specify the require value that should be prefilled for all Employees e.g. **0**

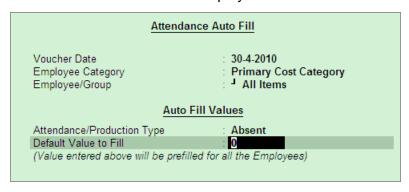The completed **Attendance Auto Fill** screen is displayed as shown:

Attendance Auto Fill

Voucher Date	: 30-4-2010
Employee Category	: Primary Cost Category
Employee/Group	: ⌐ All Items

Auto Fill Values

Attendance/Production Type	: Absent
Default Value to Fill	: 0

(Value entered above will be prefilled for all the Employees)

Figure 1.2 Attendance Auto Fill screen

- ■ Press **Enter** to accept the screen

*Separate Attendance vouchers are required for recording attendance on **Work** and **Production**.*

*If you opt for **Present** as **Attendance Type**, then you need to record the negative attendance of the employees.*

The **Attendance Voucher** is prefilled with **0** for all required Employees as shown:
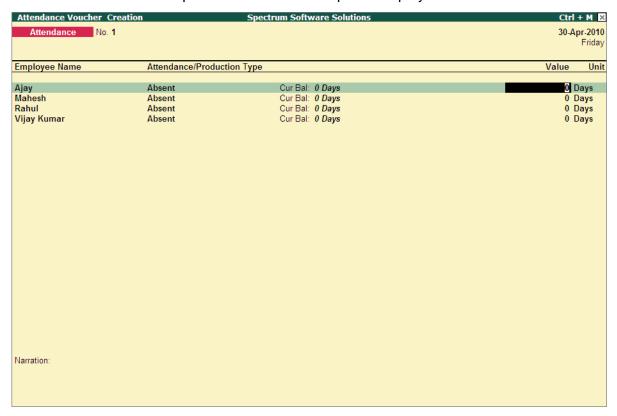
Attendance Voucher Creation		Spectrum Software Solutions			Ctrl + M ⊠
Attendance	No. **1**				30-Apr-2010
					Friday
Employee Name	**Attendance/Production Type**			**Value**	**Unit**
Ajay	Absent	Cur Bal: *0 Days*		0	Days
Mahesh	Absent	Cur Bal: *0 Days*		0	Days
Rahul	Absent	Cur Bal: *0 Days*		0	Days
Vijay Kumar	Absent	Cur Bal: *0 Days*		0	Days
Narration:					

Figure 1.3 Attendance Voucher

▫ Specify the attendance details as given in the table above

The completed **Attendance Voucher** for **Overtime Hours** is displayed as shown:

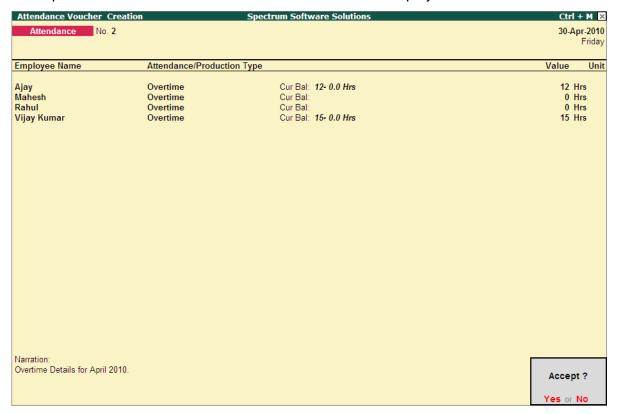Figure 3.5   Attendance Voucher Screen - Overtime

◻   Press **Enter** to accept.

3.2 Processing Payroll Vouchers

A payroll voucher is used to record all employee-related transactions. It enables you to compute all the values for the respective Pay Heads (Earnings and Deductions).

The calculations are made on the basis of the definitions specified in the pay head masters, pay structure and attendance entries. In Tally.ERP 9, you can pass payroll vouchers manually for individual employee as well as for the entire group/ organisation by using the Auto Fill facility **(Alt+A)**.

Example 2:

On 30th April, 2010, M/s. Spectrum Software Solutions processes Payroll for all the employees and entitled the following employees for Variable Pay.

Particulars	Vijay Kumar	Rahul	Mahesh	Ajay
Variable Pay	1500	-	1000	-

3.2.1 Processing User Defined Pay Heads

The value for the **User Defined Pay Heads** should be entered prior to computation of Salary.

Go to **Gateway of Tally > Payroll Vouchers**

1. Press **Ctrl+F4** for **Payroll Voucher**
2. Press **F2**, specify the date as **30-4-2010** and press **Enter**
3. Press **Alt+A** (Payroll Auto Fill) to pre-fill employee payroll details

    In the **Payroll Auto Fill** screen,

    - Select **User Defined Pay Heads** in the **Process for** field

In Tally.ERP 9, the following processes are preset for faster processing of Payroll:

- *User Defined Pay Heads: This process is used for processing the User Defined Pay Heads e.g. Variable Pay, Incentives.*

- *Salary: This process is used for processing salaries for a specified period, wherein Salaries are disbursed through Cash or a bank transfer.*

- *ESI Contribution: This process is used for processing Employer's contributions towards ESI for a specified period.*

- *PF Contribution: This process is used for processing Employer's Provident Fund (PF) contributions for a specified period.*

- Specify **1-4-2010** in the **From** field
- Specify **30-4-2010** in the **To** field
- Select **All Items** as **Employee/Group**
- Select **Salary Payable** in the **Payroll Ledger** field

You can select Cash as the Payroll Ledger if you are directly making the payment from Payroll Voucher itself.

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The completed **Payroll Auto Fill** screen is displayed as shown:

Payroll Auto Fill

Process for	: **User Defined**
From (blank for beginning)	: 1-4-2010
To (blank for end)	: 30-4-2010
Employee Category	: **Primary Cost Category**
Employee/Group	: ⌐ All Items
Payroll Ledger	: **Salary Payable**

Figure 1.6 Payroll Autofill with payment Ledger list

- Press **Enter** to accept the screen

The **Payroll Voucher** opens and allows the user to enter the user defined Pay Head values one by one for all the Employees.

- Specify **1000** as **Variable Pay** for **Mahesh**
- Similarly, specify **1500** as **Variable Pay** for **Vijay Kumar** and press **Enter**

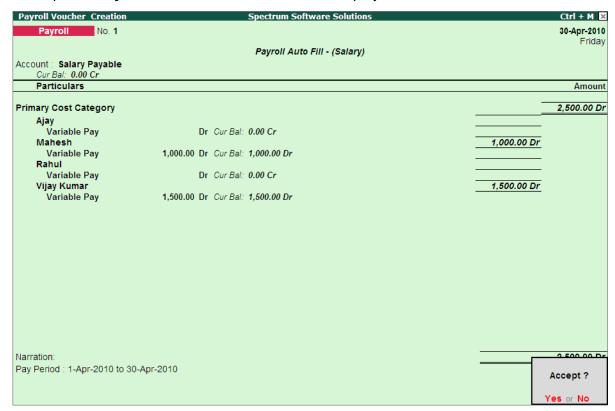The completed **Payroll Voucher Creation** screen is displayed as shown:

Payroll Voucher Creation **Spectrum Software Solutions** Ctrl + M ☒

Payroll No. 1 30-Apr-2010 Friday

Payroll Auto Fill - (Salary)

Account : **Salary Payable**
Cur Bal: 0.00 Cr

Particulars		**Amount**
Primary Cost Category		2,500.00 Dr
Ajay		
Variable Pay	Dr Cur Bal: 0.00 Cr	
Mahesh		1,000.00 Dr
Variable Pay	1,000.00 Dr Cur Bal: 1,000.00 Dr	
Rahul		
Variable Pay	Dr Cur Bal: 0.00 Cr	
Vijay Kumar		1,500.00 Dr
Variable Pay	1,500.00 Dr Cur Bal: 1,500.00 Dr	

Narration:
Pay Period : 1-Apr-2010 to 30-Apr-2010

2,500.00 Dr

Accept ?

Yes or No

Figure 3.7 Completed Payroll Voucher

4. Press **Enter** to accept.

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3.2.2 Processing Salary with Income Tax Deduction

Once the User Defined Pay Head Values are entered (if any), the salary can be processed by following the steps given below:

Go to **Gateway of Tally > Payroll Vouchers**

1. Press **Ctrl+F4** for **Payroll Voucher**
2. Press **F2**, specify the date as **30-4-2010** and press **Enter**
3. Press **Alt+A** (Payroll Auto Fill) to pre-fill employee payroll details

In the **Payroll Auto Fill** screen,

- Select **Salary** in the **Process for** field
- Select **Declared Value** in the **Compute Income Tax based On** field as shown:

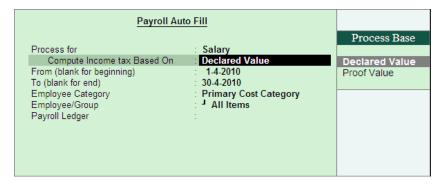
Figure 1.8 Payroll Auto Fill screen

Compute Income Tax based On:

- *Declared Value: This option should be selected to compute Income Tax based on Declaration Amount as given by the Employees.*

- *Proof Value: This option should be selected to compute Income Tax based on the Amount as per the actual Proofs given by the Employees.*

- Select all other parameters as explained earlier

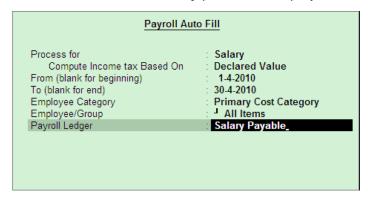The completed **Payroll Auto Fill** screen for **Salary** process is displayed as shown:

Figure 1.9 Completed Payroll Auto Fill

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- Press **Enter** to pre-fill the Payroll Voucher with all Pay values for all Employees including **Income Tax deduction (TDS)**

The completed **Payroll Voucher Creation** screen is displayed as shown:

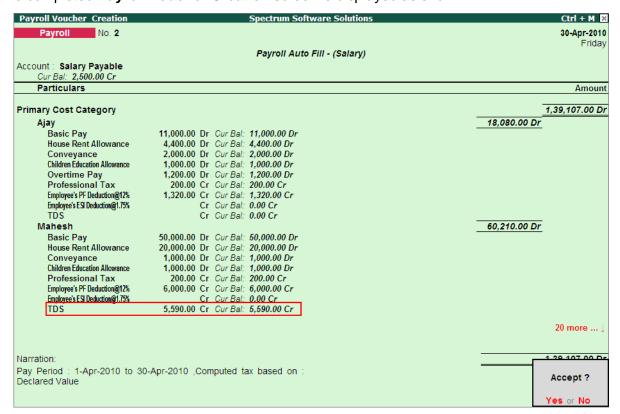| Payroll Voucher Creation	Spectrum Software Solutions	Ctrl + M ⊠
Payroll No. **2**		30-Apr-2010
		Friday
	Payroll Auto Fill - (Salary)	
Account : **Salary Payable**		
Cur Bal: 2,500.00 Cr		
Particulars		**Amount**
Primary Cost Category		1,39,107.00 Dr
Ajay		18,080.00 Dr
Basic Pay	11,000.00 Dr *Cur Bal: 11,000.00 Dr*	
House Rent Allowance	4,400.00 Dr *Cur Bal: 4,400.00 Dr*	
Conveyance	2,000.00 Dr *Cur Bal: 2,000.00 Dr*	
Children Education Allowance	1,000.00 Dr *Cur Bal: 1,000.00 Dr*	
Overtime Pay	1,200.00 Dr *Cur Bal: 1,200.00 Dr*	
Professional Tax	200.00 Cr *Cur Bal: 200.00 Cr*	
Employee's PF Deduction@12%	1,320.00 Cr *Cur Bal: 1,320.00 Cr*	
Employee's ESI Deduction@1.75%	Cr *Cur Bal: 0.00 Cr*	
TDS	Cr *Cur Bal: 0.00 Cr*	
Mahesh		60,210.00 Dr
Basic Pay	50,000.00 Dr *Cur Bal: 50,000.00 Dr*	
House Rent Allowance	20,000.00 Dr *Cur Bal: 20,000.00 Dr*	
Conveyance	1,000.00 Dr *Cur Bal: 1,000.00 Dr*	
Children Education Allowance	1,000.00 Dr *Cur Bal: 1,000.00 Dr*	
Professional Tax	200.00 Cr *Cur Bal: 200.00 Cr*	
Employee's PF Deduction@12%	6,000.00 Cr *Cur Bal: 6,000.00 Cr*	
Employee's ESI Deduction@1.75%	Cr *Cur Bal: 0.00 Cr*	
TDS	5,590.00 Cr *Cur Bal: 5,590.00 Cr*	
		20 more ... ↓
Narration:		1,39,107.00 Dr
Pay Period : 1-Apr-2010 to 30-Apr-2010 ,Computed tax based on :		**Accept ?**
Declared Value		**Yes** or **No**

Figure 3.10 Completed Payroll Voucher

- Press **Enter** to accept.

The Employer PF Contribution and Employer ESI contribution processes can also be completed by using the respective Auto Fill processes.

3.2.3 Processing Payments

In Tally.ERP 9, the Payment Vouchers are used to effect salary disbursement, PF payment, ESI Payment, Professional Tax payment and Income Tax payment.

To automate the above payments, Auto Fill facility has been provided in the Payment Voucher screen for error free processing.

Example 3:

On 30th April 2010, M/s. Spectrum Software Solutions paid the salaries due for the month of April 2010. The PF, ESI, PT and Income Tax were also paid on 30th April 2010.

For illustration, only Income Tax Payment is explained in detail and remaining payments follow the similar process.

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Before passing the Income Tax payment voucher, necessary Bank Accounts should be created.

To make the **Income Tax** payment, follow the steps given below:

Go to **Gateway of Tally > Accounting Vouchers** > Press **F5** for **Payment Vouchers**

- Press **F2**, specify the date as **30-04-2010** and press **Enter**
- Press **Alt+A** (Payroll Auto Fill) to pre-fill employee payroll details

  In the **Payment Auto Fill** screen,

   - Select **Income Tax Challan** in the **Process for** field as shown.
   - Specify **01-04-2010** as **From** period
   - Specify **31-04-2010** as **To** period
   - Specify **Voucher Date** as **30-04-2010**
   - Select **Primary Cost Category** in the **Employee Category** field
   - Select **All Items** in the **Employee/Group** field
   - Select **HDFC Bank** in the **Bank / Cash Ledger** field as shown.
   - Select **Salary Payable** in the **Payroll Ledger** field

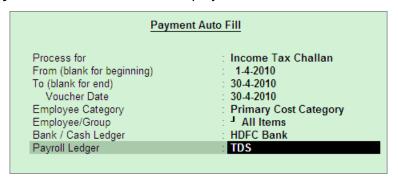The completed **Payment Auto Fill** screen is displayed as shown:

Payment Auto Fill	
Process for	: Income Tax Challan
From (blank for beginning)	: 1-4-2010
To (blank for end)	: 30-4-2010
Voucher Date	: 30-4-2010
Employee Category	: Primary Cost Category
Employee/Group	: All Items
Bank / Cash Ledger	: HDFC Bank
Payroll Ledger	: TDS

Figure 3.11 Payment Auto Fill screen

- Press **Enter** and the employee Income Tax details will appear by default as shown:

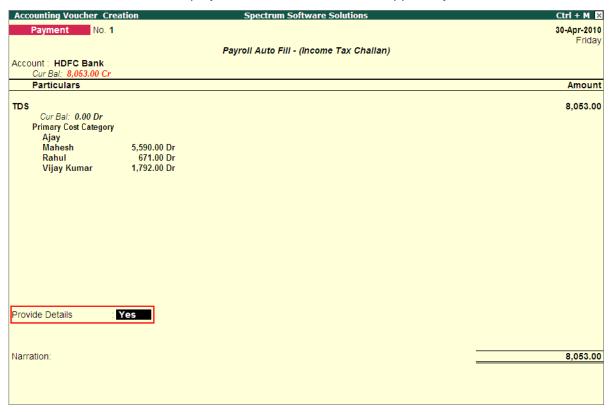| Accounting Voucher Creation	Spectrum Software Solutions	Ctrl + M ☒

Payment   No. **1**   30-Apr-2010
                                                         Friday

Payroll Auto Fill - (Income Tax Challan)

Account : **HDFC Bank**
    Cur Bal: 8,053.00 Cr

Particulars	**Amount**
TDS	8,053.00
Cur Bal: 0.00 Dr	
Primary Cost Category	
Ajay	
Mahesh 5,590.00 Dr	
Rahul 671.00 Dr	
Vijay Kumar 1,792.00 Dr	

Provide Details   : **Yes**

Narration: 8,053.00

Figure 1.12 Payment Voucher

- Set **Provide Details** to **Yes**

  In the **Provide Details** screen,

  - In **Cheque / DD No** field, specify the correct cheque or DD number (e.g. 23342)
  - In **Cheque / DD No** field, specify the date of Cheque or DD (e.g. 30.04.2010)
  - Specify name of depositor (e.g. Ramesh) in **Depositor Name** field
  - In **Bank & Branch Code** field, specify the Bank Name and Branch Details (e.g. HDFC & Koramangala)
  - In **BSR Code** field, specify the banks BSR code
  - Specify 30.4.2010 as Challan Date
  - Specify 4343338 in the Challan Number in number field

The completed **Payment Details** screen is displayed as shown:


```
                              Payment Details

Cheque / DD No           : 23342
Cheque / DD Date         : 30-Apr-2010

Depositor Name           : Ramesh
Bank & Branch Code       : HDFC & Koramangala
BSR Code                 : 4253433

Challan Date             : 30-Apr-2010
Challan Number           : 4343338

(Note : All the Above Details Will Be Used in Challan, Forms & Returns)
```

■ Press **Enter** to accept the **Provide Details** screen

The completed **Income Tax Payment Entry** screen is displayed as shown:

Figure 3.13 Payment Voucher

4. Press **Enter** to accept.

To print the **Income Tax Challan (ITNS 281),**

▫ Press **Page Up** in the Accounting Voucher Alteration screen and press **Alt+P**
   In the **Payment Voucher** print configuration screen,

- Set **Print Challan** to **Yes** as shown:

Figure 1.14 Voucher Printing configuration

- Print **Enter** to print Challan

The printed ITNS 281 Challan is displayed as shown:

T.D.S./T.C.S TAX CHALLAN	Single Copy (to be sent to ZAO)

CHALLAN No./ ITNS 281	**Tax Applicable (Tick one)*** **TAX DEDUCTED AT SOURCE FROM** (0020) COMPANY DEDUCTEES [X] (0021) NON-COMPANY DEDUCTEES [ ]	Assessment Year 2011-12

Tax Deduction Account No. (T.A.N).
K A R A 0 7 8 8 4 F

Full Name
S P E C T R U M   S O F T W A R E   S O L U T I O N S

Complete Address with City & State
14, M y s o r e   R o a d , ,   B a n g a l o r e

K a r n a t a k a

Tel. No. 080-22587457   Pin 560022

Type of Payment   Code * [9 2 B]

TDS Payable by Taxpayer   (200) [X]

TDS Regular Assessment (Raised by I.T. Deptt.)   (400) [ ]

DETAILS OF PAYMENTS   Amount (in Rs. Only)

Income Tax	7,818.45
Surcharge	
Education Cess	234.55
Interest	
Penalty	
Total	8,053.00

Total (in words):

	CRORES	LACS	THOUSANDS	HUNDREDS	TENS	UNITS
	Zero	Zero	Eight	Zero	Five	Three

Paid in Cash/ Debit to A/c /Cheque No. 23342   Dated 30-Apr-2010

Drawn on H D F C & K o r a m a n g a l a
(Name of the Bank and Branch)

Date :   Signature of person making payment

FOR USE IN RECEIVING BANK
Debit to A/c / Cheque credited on

D D   M M   YY

SPACE FOR BANK SEAL

Rs. 8,053.00

---------------------------------- Tear Here ----------------------------------

Taxpayers Counterfoil (To be filled up by taxpayer)
TAN K A R A 0 7 8 8 4 F

Received from S P E C T R U M   S O F T W A R E   S O L U T I O N S
(Name)

Cash/ Debit to A/c /Cheque No. 23342   For Rs. 8,053

Rs.(in words)   Eight Thousand Fifty Three Only.

Drawn on H D F C & K o r a m a n g a l a
(Name of the Bank and Branch)
_____ _____ Deductees

on account of Tax Deducted at Source (TDS) from [9 2 B] for the Assessment Year 2 0 1 1 - 1 2

SPACE FOR BANK SEAL

Rs. 8,053.00

Figure 1.15 ITNS 281 Challan