

Vetanmaan

Payroll Solution on Cloud

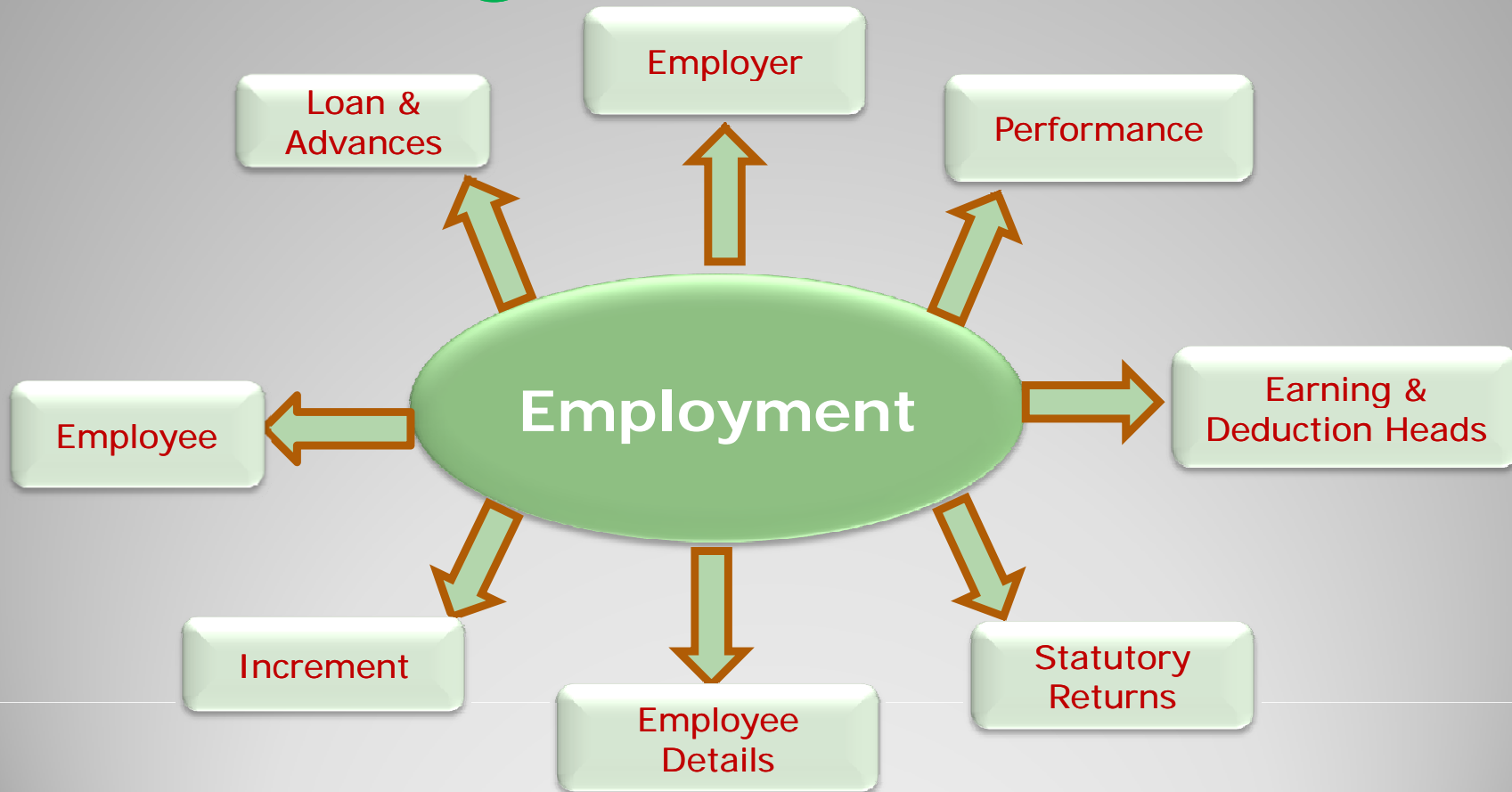
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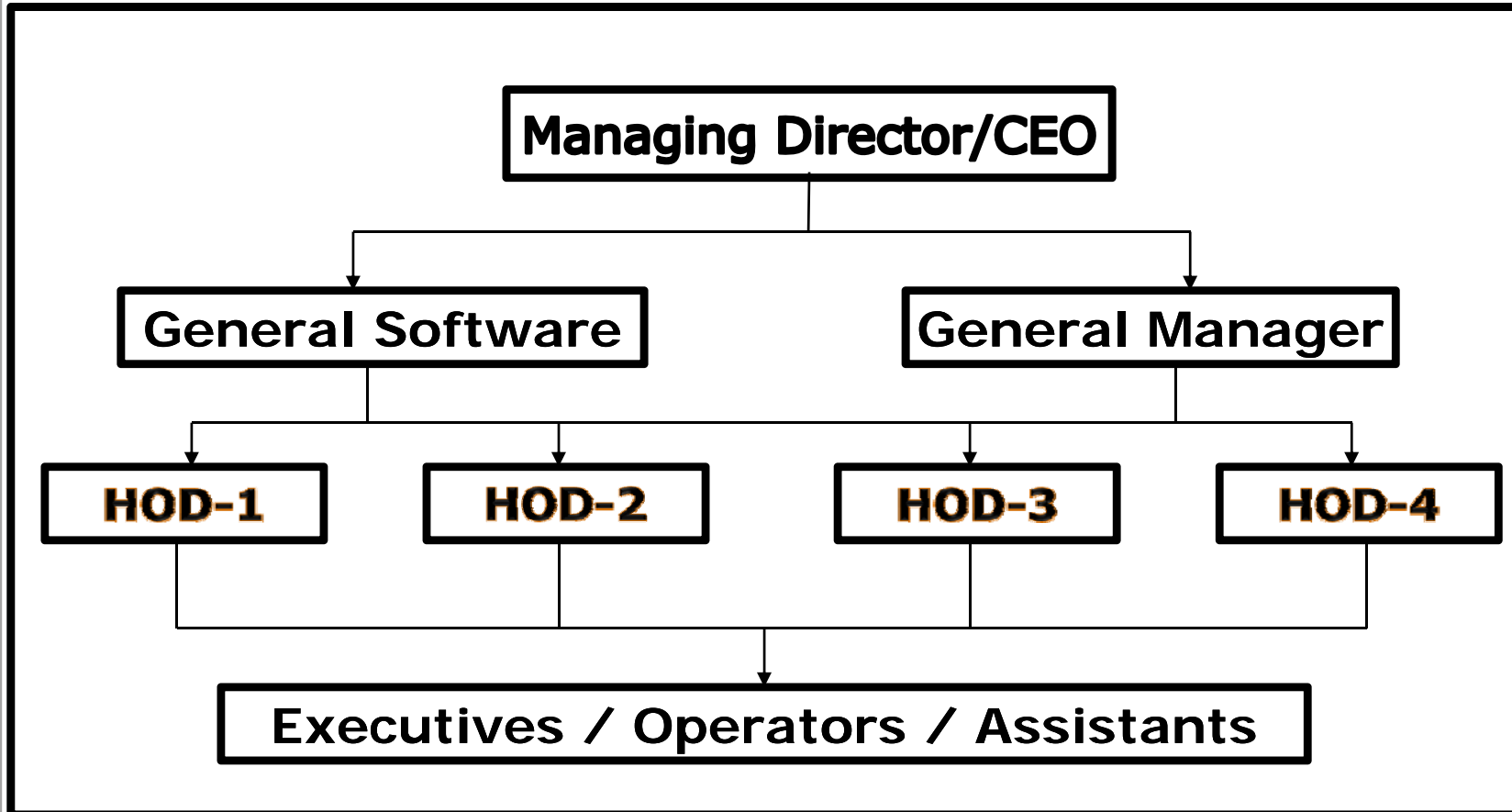
Employment Entities



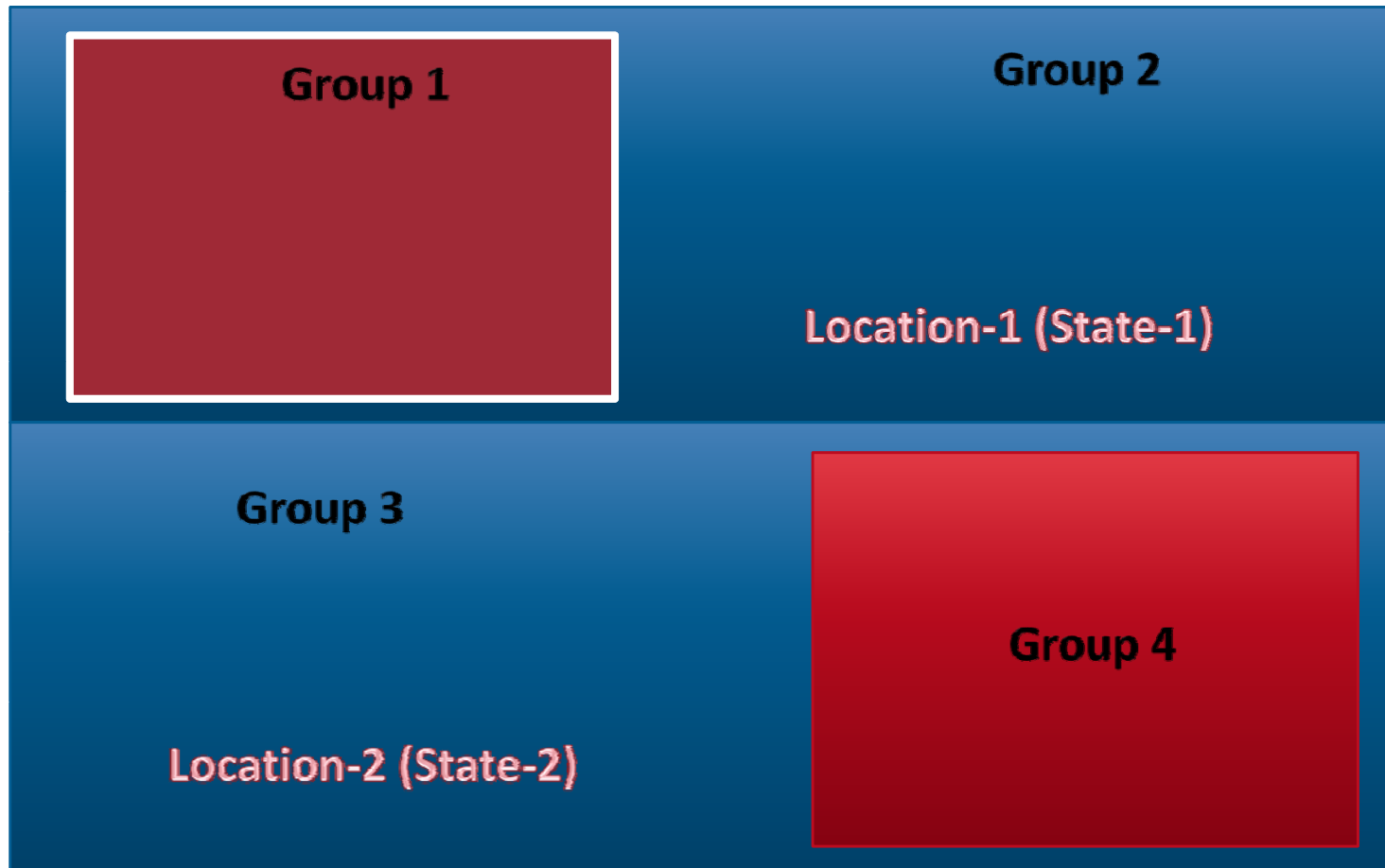
Earning & Deduction Heads (Salary)

Earnings	Deductions
Mandatory: Basic User Definable DA HRA Conveyance Allowance	Statutory: ESI PF PT TDS
Others: Medical Allow. Edu. Allowance + More	Others: Co-op. Store Deduction Quarter Rent + More
Total Earnings	Total Deductions
Total Earnings - Total Deductions = Net Earnings	

Organization structure



Branches in an Organization



Government Statutes (Acts) influencing Payroll Processing

- Major Acts
- Minimum Wages Act
- The Employee's Provident Funds Act ,1952
- The Employee's State Insurance Act,1948
- The Income Tax Act, 1961
- Payment of Bonus Act,1965
- Payment of Gratuity Act,1998
- And other Acts

Provident Fund & Pension Scheme (EPF/EPS)

Providing Retirement Benefits and Pension benefits.

Calculation: (on Basic + DA if (Basic+DA) is less Than 15,000)

Employee's Contribution @12% to PF

Employer's Contribution @3.67% to PF

Employer's Contribution @8.33% to Employee's Pension Scheme

Admin Charges (by Employer) for A/c-2, A/c-21 and A/c-22

Forms & Returns: (F.Y. from March to February)

Form 5: Return of Joining of Employee

Form 10: Return of Leaving of Employee

Challan: Monthly remittance format

Form 12A: Monthly Return

Form 3A: Annual return with Individual monthly details

Form 6A: Annual return with consolidated individual Details

Employee State Insurance (ESI)

Providing Medical, Hospital, Maternity facilities to the Employees

Calculation: (on Gross Earnings if not more than 15,000.00 p.m.)

Employee Contribution of 1.75%

Employer Contribution of 4.75%

Calculation is restricted to cut-off salary of 15,000.00.

(Cut-off : This is the max salary below which, the Employee will be eligible for ESI. But if an employee comes out of cut-off (salary is increased more than 15,000) still, till the completion of half year, the deduction and contribution continues be done)

Forms & Returns: (period - 1st half April to Sept, 2nd half from Oct to March)

Challan: Monthly remittance format

Form 5: Half yearly return of each Employee details of his Present Days, Wages Earned, Contribution.

Form 6: Half yearly return of Contributions and Remittances.

Professional Tax (PT)

Levied by State Government on all employees.

Calculation: (on Gross Earnings)

Calculated as per different slabs of states for the Gross Earnings.

Forms & Returns: (period - April to March)

Form 5A: Monthly return of PT collected and remitted along with payment.

Form 5: Annual return of PT collected and remitted.

Income Tax (for A.Y.2014-15)

This is a Major Revenue collected by Central Government from employees who have taxable income.

Calculation: (on Taxable Income)

(Rupees in Lacs)

	Exempted	10%	20%	30%
General (below 60 yrs)	0-2.0	2.0-5.0	5.0-10.0	10& Above
Sr. Citizen (60-80 yrs)	0-2.5	2.5-5	5-8	8 & Above
Sr. Citizen (80 yrs & Abv)	0-5 (Exempted)		5-8	8 & Above

Forms & Returns: (period - April to March)

Form 16 : Certificate of Tax Deducted at Source from Salary

Form 16AA : Certificate of TDS for salary equal / less than 1.5 L

Form 12BA : Statement of Perquisites

Form 24 : Return of Salary TDS by the Employing company

Payment & Computation of Bonus

Generally treated as share of profit given to the Employees.

Calculation: (on Basic + DA earned for the year)

Min of 8.33% and Max of 20%

Eligibility: Min 30 days of service & (Basic + DA) less than Rs. 10000 per month

If Basic + DA is between 3,500 and 10000, for the purpose of Bonus it is restricted to 3,500 as calculation amount.

If the Basic + DA is less than or equal to 3500, then it is calculated on actual Basic + DA

This is to be paid before completion of 8 months from the date of closing the books of accounts.

Forms & Returns: (Period - April to March)

Form C: Register of bonus paid with signatures of the Employee.

Payment & Computation of Gratuity

Providing a compensatory amount on separation of an employee from an organization.

Calculation:

Eligibility: Employee should have completed minimum 5 years of service in the organization.

Amount: 15 days equivalent Basic Wages x Number of Years of Service

Calculated as: $((\text{Basic wages}) / (15/26)) * \text{No. of Years Served}$

Attendance in Payroll

Basis / Purpose :

Attendance is nothing but the availability of an Employee for completing the work assigned to him.

Usage :

Attendance is the basic thing on which salary calculation depends and without which salary calculation is not possible.

Types :

Physically present, On Official Duty (OOD), Deputation, Paid Leave.

Terminologies used :

Salary Calendar Days: Actual Number of Days in a month

NWD: Number of declared working days in a month (NOD - holidays)

NDP: Number of days Present

LOP: Loss of Pay. (If any day is not considered for salary calculation due to absenteeism, it will be termed as LOP.)

Attendance Management System

There are various types of Attendance Management System followed in organizations.

- * Manual Recording (Register maintaining)
- * Spread Sheet System (preferable in MS - Excel)
- * Mechanized Systems
 - * Bio-Metric :
 - * Finger Print Reader
 - * Face Reader
 - * Voice Reader
 - * Eye-ball Reader
 - * Non Bio-Metric :
 - * Punch Card Reader
 - * Smart Card Reader
 - * Proximity Reader

Purpose of all the above systems is to create a log-sheet which contains info of in/ out movement of employees with time and date. All these details are very much important to import into any Payroll Processing Software.

Salary Calculation – when attendance is not considered

Sample Calculation

Employee Name	: Mr. Kumar
Gross Earning (theoretical)	: Rs.6,000
Calculation for the month	: April 2010
Working Days (NWD)	: 25 days (4 Sun, 1Gen.Holiday)
Attendance (NDP)	: 22 days

(To Calculate the Actual Gross Earning for the month)

$$\begin{aligned} \text{Salary Calendar Days} &= 30 \\ \text{Gross Salary} &= 6,000 \\ &\quad \text{-----} \times 27 \\ &\quad 30 \\ &= 5,400. \end{aligned}$$

Leave provided to an Employee

Basis / Purpose:

Leave is nothing but an exemption given to an Employee from Attendance. It is the permitted absence of an employee which will not be having any adverse effect on his services.

This will be allotted to any employee or a particular period and the employee can opt any working day for availing the same.

General types of Paid Leaves followed in various organizations:

Type of Leave	Allotable (Y/N)	Carry Forwardable(Y/N)	Effect on Salary (Y/N)
CL – Casual Leave	Y	N	N
SL – Sick Leave	Y	N	N
EL – Earned Leave	Y	Y	N
PL – Privileged Leave	Y	Y	N
RH – Restricted Holiday	Y	N	N

Leave effect on Salary Computation

Sample Calculation

Employee Name	: Mr. Kumar
Gross Earning (theoretical)	: Rs.6,000
Calculation for the month	: April 2010
Working Days (NWD)	: 25 days (4 Sun, 1Gen.Holiday)
Attendance (NDP)	: 22 days
Paid Leave taken	: 1 CL
Other Leave taken	: 1 RH
Other leave	: 1 LOP
Days for Salary Calculation	: 22+1+1 = 24 days

(To Calculate the Actual Gross Earning for the month)

$$\begin{array}{r} \text{Salary Calendar Days} = 30 \\ \text{Gross Salary} = 6,000 \\ \text{-----} \times 29 \\ \quad 30 \\ \text{= 5,800.} \end{array}$$

Payroll Records to be maintained by the employer

Attendance Register (Muster Roll)	Record of Attendance for a said period for a set of Employees
Pay Slip	Record of Salary for a month for a particular employee
Salary Sheet	Record of Salary for a particular month for a set of Employees
PF / ESI Register	Register containing all the necessary details of the Employees registered under PF / ESI.
Leave Register	Register of Leaves allotment, used and balance of every Employee
Advance Register	Register of Payment, receipt, recovery of Advance of all the Employees.
ESI - Accident Report (Form 16)	Record / details of any accidents occurred in the Company premises during the working hours

Ex-Gratia	Similar to Bonus. But normally paid to the non-eligible employees.
Increment & Arrears	Increase in the Salary is Increment. Any Salary amount pending to be paid is Arrears.
Standing Instructions	Any Deductions and Earnings based on certain Instructions from the Employee for a specified period (Ex:- LIC, Loan, Advance, SSS etc)
Over Time	Extra time worked by an employee is termed as Over time and the compensation for the same is the Over Time Allowance.
Leave Encashment	Exchange of un-used leaves to money
Salary Extrapolation	Approximation of Future Salary based on present salary. This is required for the purpose of TDS Estimation.
Service Register	Record of Service proceedings of an Employee containing, performances, salary, increments, promotions and more details

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Thank You

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