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PAYROLL OVERVIEW

CASHBOOK VERSION 8

In your business you might employ a person permanently, seasonally or on casual hire. If you withhold PAYG tax from your employee's wages, you will need a Tax File No. Declaration Form for each employee. You will also need to calculate superannuation and Workcover for these employees.

If you hire a person on an hourly rate as contracted services they need to have an ABN and give you a Tax Invoice with GST information (if they are registered for the GST). No PAYG tax, no superannuation and no Workcover need to be included in their payment. There are certain criteria that also need to be met for a person to be hired as a contractor. More details on this were included in a previous newsletter.

You will have to ensure your categories and accounts are set up correctly so that CashBook can report accurately when you make payroll payments.

CREATING PAYROLL ACCOUNTS

The tax that a business withholds from its employee's wages is accounted for in a liability account. Likewise the superannuation paid for an employee is also accounted for in a liability account. Set up the Liability Accounts as shown below.

Amounts that are posted to these accounts represent money that we owe as a liability for payments outstanding.

The "Payroll – PAYG Withholding Tax" account will also need to have the Tax Line Assigned in "Transfers Out" as BAS Report: W2 Amounts Withheld from Salary, Wages. To do this, select the "Payroll - PAYG Withholding Tax" account and select "Edit", then click the "Tax" tab. Here it is necessary to link this account by setting the "transfers out" to "BAS Report: W2 line" (this can be found near the bottom of the list.

Account Type	Account Name	Opening Balance at 30 th June
1. Liability	Payroll - PAYG Withholding Tax	\$0.00
2. Liability	Payroll - Employee Super	\$0.00

CREATING PAYROLL CATEGORIES

What we call the wages categories is important. The CashBook Payroll report is dependant upon the categories containing the word “**Payroll**”, so first we will have a look at how the main expense category and then the sub-categories have been set-up to track wages.

Go to the Category List by selecting “**Lists/Category/Transfer**”. Create a new expense category and call it “**Payroll**”. Then create the following sub-expense categories: (if you already have wages type categories in your file, you may just wish to edit their names accordingly, instead of creating new ones)

Category	Type	Tax	Description	TC
Payroll	Expns	Tax		
Superannuation	Sub	Tax	Superannuation for Employees	
Gross Wages	Sub	Tax	Wages, Benefits ...	
Workcover	Sub	Tax	Workcover	

All of these categories, when set-up, do not have a tax code. Workcover will have both a 4 and 5 tax code so should be entered in when doing a transaction. The “**Gross Wages**” category, as the name suggests, is used to record the gross wages, including tax and the “**Superannuation**” category is used to track the compulsory 9% superannuation paid for employees.

The “**Gross Wages**” category is linked to the W1 line on the BAS return, to do this you need to edit the “**Gross Wages**” category in the Category/Transfer list. Make sure the “**Tax Line**” has been linked to the BAS Report: W1 line. When wages are paid to employees the amount will then automatically show up in the W1 field in the BAS report.

The “**Payroll - Superannuation**” sub-category does not need to be assigned a Tax Line.

RAISING PAYROLL CHEQUES

Once all of the payroll categories and accounts have been set up correctly you are ready to raise a payroll cheque. The following details are for an employee and need to be done in the cheque account register. Remember to post the cheque to the register for the net amount, this is the amount paid to the employee, and therefore the amount of the cheque.

Chq #: As Applicable
Payee: Employees Name
Pymt Amt: \$1,041.25 (Net amt paid)

SPLIT

Category: Payroll: Gross Wages
Tax: Blank
Amount: \$1,225.00 (Gross amt paid)

Category: [Payroll – PAYG
Withholding Tax]
Tax: Blank
Amount: -\$183.75 (a minus figure)

Category: Payroll: Superannuation
Tax: Blank
Amount: \$110.25 (9% of gross)

Category: [Payroll – Employee
Super Liability]
Tax: Blank
Amount: -\$110.25 (a minus figure)

RAISING PAYROLL CHEQUES CONT.

The superannuation liability needs to be accounted for separately as it is not taken out of the employees' wages, but paid as an extra amount. This is why we need to post two transactions, one to the **sub-category** and the other to the liability **account** for employee superannuation.

Now check the results we have created in the various registers. In the Cheque Account register you will see the net payroll cheque written to the employees. In the Account List check the amounts have been transferred over to the respective liability accounts and then check the registers for these accounts.

THE PAYROLL REPORT

By entering the wages in this manner, you will be able to produce a report at the end of each quarter to see how much needs to be paid for each employee into their superannuation funds. To produce the report you will need to go to "**Reports>Business>Payroll**". Choose the quarter that is applicable, and then click "**Create**"; you should now see all payments made to employees for that quarter.

If nothing appears in the report, it may be because you have not used the words "**PAYROLL**" in either the category or account names.

PAYING SUPERANNUATION LIABILITY

From the payroll report, the next step is to account for the superannuation liability and pay the amount(s) outstanding. In the cheque account register write out a cheque to each superannuation fund as follows:

Chq #: As Applicable
Payee: Super fund name
Payment: \$110.25
Category: [Payroll – Employee
Superannuation Liability]

The Superannuation Liability
account register balance
should now be zero (\$0.00)