

Unit 8: Payroll and the Activity Statement

In this Unit you will:

- ✓ Learn about the PAYG Withholding System
- ✓ Process pays
- ✓ Print payroll reports
- ✓ Reconcile payroll for the month
- ✓ Learn about Voluntary Agreements
- ✓ Learn when to pay PAYG Withheld
- ✓ Learn how to report Wages and PAYG on the Activity Statement.

PAYG Withholding System

The processing of payrolls and the deduction of PAYG Withholding have already been covered in “A Step by Step Approach to Establishing a Payroll System” or other texts.

In this unit you will process a few pays but will concentrate on the reporting of the PAYG Withholding, Voluntary Withholding and ABN Withholding on the Activity Statement.

A business must deduct PAYG Withholding from the following payments:

- salaries, wages, allowances, bonuses or commissions paid to employees
- payments to company directors
- payments to office holders eg members of parliament
- payments to members of the Defence Forces or Police Services
- return to work payments
- eligible termination payments
- payments for unused leave
- compensation and sickness or accident payments
- payments to individual contractors under a voluntary agreement
- payments to individuals under labour hire arrangements if carrying on a labour hire business and
- payments for a business to another business where the supplier has not provided an ABN.

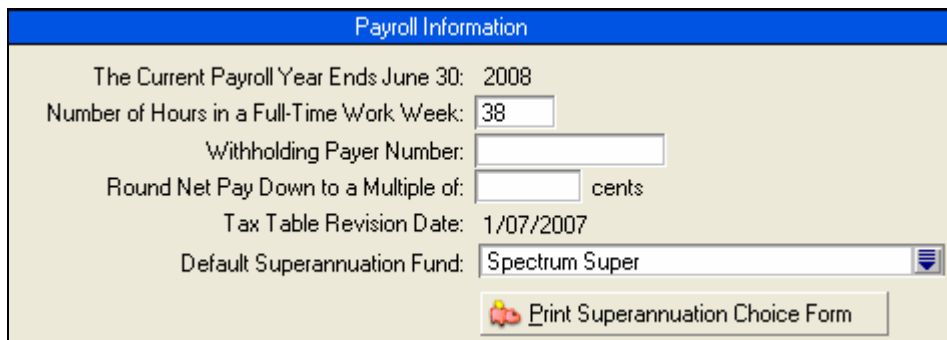
Processing pays

- (i) Open the data file used in Unit 6.

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- (ii) Check that the payroll year is the current year you are using.



If not correct, select “**Start a new Payroll Year**” in the File Menu.

- (iii) Employees are paid weekly by cheque.

- (iv) Both employees are full-time clerical workers, paid overtime, meal allowances if overtime is worked and a car allowance for the use of their car to go to the Post Office, bank and farm. The meal and car allowance are not taxed.

Both employees make a donation to Greenpeace of \$2 per pay.
Tony contributes \$20 additional tax each pay.

- (v) Process the following pays for the current month as follows.

Week 1 – ending 4th month, paid by cheque 4th month

Name of Employee	Payroll details
Lindy Browning	Worked 20 hours 18 hours personal leave 25 km car allowance Net Pay = \$608.75
Tony White	Worked 38 hours 6 hours overtime x 1.5 2 meal allowances Net Pay = \$645.00

Week 2 – ending 11th month, paid by cheque 11th month

Name of Employee	Payroll details
Lindy Browning	Worked 38 hours 2 hours overtime x 2 40 km allowance Net Pay = \$669.60
Tony White	Worked 38 hours 1 hour overtime x 1.5 10 km car allowance Net Pay = \$545.40

Week 3 – ending 18th month, paid by cheque 18th month

Name of Employee	Payroll details
Lindy Browning	38 hours holiday leave 38 hours leave loading Net Pay = \$720.35
Tony White	Worked 38 hours 20 km car allowance Net Pay = \$533.80

Week 4 – ending 25th month, paid by cheque 25th month

Name of Employee	Payroll details
Lindy Browning	Worked 38 hours 10 km car allowance Net Pay = \$599.90
Tony White	38 hours holiday leave 38 hours leave loading Net Pay = \$635.05

PRINTOUT 6 – Payroll Register for the month

Print a copy of the Payroll Register and compare with the printout below.

Payroll Register [Summary]					
Employee	Wages	Deductions	Taxes	Net Pay	Expenses
Browning, Lindy	\$3,134.60	\$8.00	\$528.00	\$2,598.60	\$259.92
White, Tony	\$2,912.25	\$8.00	\$545.00	\$2,359.25	\$232.56
Total:	\$6,046.85	\$16.00	\$1,073.00	\$4,957.85	\$492.48

If you identify a discrepancy, check the above details with your paycheques processed and make the necessary correction.

Return to the Command Centre.

PRINTOUT 7 – Payroll Summary Report for the month

Print a copy of this report to report on all payroll categories.

PRINTOUT 8 – Profit and Loss [Accrual] for the month

Print a copy of the Profit and Loss for the month. On the following page you will reconcile the payroll against this report.

PRINTOUT 9 – Balance Sheet at the end of the month

Print a copy of the Balance Sheet. On the following page you will reconcile the payroll against this report.

Reconciling the Payroll for the month

Printed on the following page is a Payroll Checklist for the month.

Carry out each step and when completed.

Payroll Checklist – end of month/quarter

- Print Payroll Register [Summary] for the period.
- Display and compare the Payroll Activity Summary [from paycheques] with Payroll Register Summary [from Pay History on card] for the period.

Do the totals reconcile?

If not, opening balances in Pay History could have been added or someone has changed the payroll amounts in the Pay History.

- Print Payroll Summary [to list allowances etc] for the period.
- Print Profit and Loss for the period.
- Print Balance Sheet at the end of the period.
- Reconcile Gross Wages in Payroll Summary with Wage Accounts in the Profit and LOSS. [check for pays entered in “Spend Money” and “Journal” entries].

Gross Wages in Profit and Loss:

Gross Wages in Payroll Summary:

- Reconcile Superannuation in Payroll Summary with Superannuation Expense in the Profit and Loss.

Superannuation amount:

- Reconcile Tax and Superannuation in the Payroll Summary with PAYG Withholding and Superannuation Payable in the Balance Sheet.

PAYG Withholding amount:

Superannuation Payable amount:

If amounts do not reconcile, PAYG and Superannuation payments in the past may not be accurate.

- Reconcile Donations in the Payroll Summary with Donations Payable in the Balance Sheet.

Donation amount:

If amounts do not reconcile, donation payments in the past may not be accurate.

Voluntary Agreements

@ Go to the ATO website and download and print a copy of Pages 1 and 2 of “NAT 2772” Voluntary Agreement Form.

A contract worker with an ABN and an employer can enter into a voluntary agreement. Under this arrangement, the business deducts withholding tax from payments to this contractor. The contractor will not have to pay a PAYG instalment [covered in Unit 9] on this income.

With reference to NAT 2772, how much is withheld under a voluntary agreement?

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Example

An invoice for \$700.00 was received from Mary Brown, a contractor, who has entered into an agreement for the business to withhold 20% PAYG. If Mary is entitled to a full GST credit and Brown’s Enterprises is GST registered, then the transaction flows through without GST.

- (i) In “Spend Money” enter the payment of the above invoice like this.
[Make sure the Tax Inclusive option is not selected.]

<input checked="" type="radio"/> Pay from Account: 1-1100 Cheque A/c		Balance ⇄: \$64,215.73			
<input type="radio"/> Group with Electronic Payments:		<input type="checkbox"/> Tax Inclusive			
Card ⇄: Brown, Mary		Cheque No.: 19			
Payee: Mary Brown		Date: today			
		Amount: \$560.00			
		Five Hundred and Sixty Dollars and 0 Cents			
Memo: Mary Brown - Invoice 64 [not GST a/c for]		<i>Brown's Enterprises</i>			
Acct #	Name	Amount	Job	Memo	Tax
5-5000	Sub-contractors	\$700.00			VWH
Total Allocated:		\$700.00			
Tax ⇄:		-\$140.00	<input type="checkbox"/> Cheque Already Printed		
Total Paid:		\$560.00	Remittance Advice Delivery Status:		
Out of Balance:		\$0.00	<input type="button" value="To be Printed"/>		
<input checked="" type="button" value="Save as Recurring"/>		<input type="button" value="Use Recurring"/>			