

Introduction to Payroll in Tally ERP 9

The Payroll management in Tally ERP 9 can streamline their payroll processes, ensure compliance with statutory requirements, and maintain accurate records of employee earnings and deductions. This helps in reducing administrative workload, minimizing errors, and providing employees with timely and accurate salary payments.

What are Pay Heads?

Pay Heads in Tally.ERP 9 are components of an employee's salary structure. They define how different elements of the salary, such as earnings and deductions, are calculated and processed. Each pay head represents a specific type of salary component, whether it's a form of earning (like basic salary, HRA, or overtime) or a deduction (like provident fund, professional tax, or loan repayment).

A **Pay Head Type** is categorised as **Earnings** , **Deductions** or **Reimbursements** .

Default Pay Head Types

The default pay head types in Tally.ERP 9 are:

- **Earnings for Employees**
 - Attendance based Earnings Pay Head
 - Computation based Earnings Pay Head
 - Flat Rate based Earnings Pay Head
 - Production based Earnings Pay Head
 - User Defined Earnings Pay Head
- **Deductions from Employees**
 - Canteen Deduction Pay Head
 - Loans and Advances Pay Head
- **Employees' Statutory Deductions**
 - PF Deduction Pay Head
 - ESI Deduction Pay Head
 - Professional Tax Deduction Pay Head
 - NPS Deduction Pay Head
 - Income Tax Deduction Pay Head
- **Employer's Statutory Contributions**
 - EPS Contribution Pay Head



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- o EPF Contribution Pay Head
- o ESI Contribution Pay Head
- o NPS Contribution Pay Head



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Detailed Explanation of Pay Heads in Tally.ERP 9

Earnings for Employees



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1. Attendance based Earnings Pay Head

- o **Description:** Earnings calculated based on the attendance records of employees.
- o **Example:** Daily wages, where the payment is made according to the number of days an employee is present in a month.
- o **Configuration in Tally:** Set the attendance type, link it to the employee, and configure the pay head to calculate based on attendance.



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2. Computation based Earnings Pay Head

- o **Description:** Earnings derived from a predefined formula or computation.
- o **Example:** Overtime pay, where employees are compensated for extra hours worked beyond regular working hours.
- o **Configuration in Tally:** Define the formula using components like basic pay, hours worked, etc.



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3. Flat Rate based Earnings Pay Head

- o **Description:** Fixed earnings provided to employees regardless of other factors like attendance or performance.
- o **Example:** Basic salary or fixed allowances such as house rent allowance (HRA).
- o **Configuration in Tally:** Set a fixed amount for the pay head and link it to the employee's salary structure.



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4. Production based Earnings Pay Head

- o **Description:** Earnings calculated based on the output produced by an employee.
- o **Example:** Piece-rate system, where payment is made per unit produced.
- o **Configuration in Tally:** Link the pay head to production data and set the rate per unit of output.



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5. User Defined Earnings Pay Head

- **Description:** Custom earnings defined by the user to cater to specific organizational requirements.
- **Example:** Special allowances or bonuses that are unique to the company.
- **Configuration in Tally:** Customize the pay head as per the specific needs and link it to the employee's salary structure.

Deductions from Employees

1. Canteen Deduction Pay Head

- **Description:** Deduction for canteen facilities provided to employees.
- **Example:** Monthly canteen charges deducted from the employee's salary.
- **Configuration in Tally:** Set the deduction amount and link it to the employee's pay structure.

2. Loans and Advances Pay Head

- **Description:** Deductions for any loans or advances taken by employees.
- **Example:** Monthly EMI for a loan taken by the employee.
- **Configuration in Tally:** Record the loan details, set the repayment schedule, and configure the deduction.

Employees' Statutory Deductions

1. PF Deduction Pay Head (Provident Fund)

- **Description:** Deduction towards the Provident Fund, a retirement savings scheme.
- **Example:** A fixed percentage of the employee's basic salary is deducted for PF.
- **Configuration in Tally:** Set the PF percentage and link it to the employee's salary.

2. ESI Deduction Pay Head (Employee State Insurance)

- **Description:** Contribution towards the Employee State Insurance scheme.
- **Example:** A fixed percentage of the employee's salary is deducted for ESI.
- **Configuration in Tally:** Set the ESI percentage and link it to the employee's salary.



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3. Professional Tax Deduction Pay Head

- **Description:** State-specific tax deducted from the employee's salary.
- **Example:** Professional tax based on salary slabs as per state laws.
- **Configuration in Tally:** Set the professional tax slab and link it to the employee's salary.

4. NPS Deduction Pay Head (National Pension System)

- **Description:** Contribution towards the National Pension System.
- **Example:** A fixed percentage of the employee's salary is deducted for NPS.
- **Configuration in Tally:** Set the NPS percentage and link it to the employee's salary.

5. Income Tax Deduction Pay Head

- **Description:** Deduction for income tax based on the employee's salary and applicable tax slabs.
- **Example:** Monthly TDS deducted from the employee's salary.
- **Configuration in Tally:** Configure income tax slabs and link it to the employee's salary structure.

Employer's Statutory Contributions

1. EPS Contribution Pay Head (Employee Pension Scheme)

- **Description:** Employer's contribution towards the Employee Pension Scheme.
- **Example:** A fixed percentage of the employee's basic salary contributed by the employer.
- **Configuration in Tally:** Set the EPS percentage and link it to the salary structure.

2. EPF Contribution Pay Head (Employee Provident Fund)

- **Description:** Employer's contribution towards the Employee Provident Fund.
- **Example:** A fixed percentage of the employee's basic salary contributed by the employer.
- **Configuration in Tally:** Set the EPF percentage and link it to the salary structure.

3. ESI Contribution Pay Head



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- **Description:** Employer's contribution towards the Employee State Insurance scheme.
- **Example:** A fixed percentage of the employee's salary contributed by the employer.
- **Configuration in Tally:** Set the ESI percentage and link it to the salary structure.

4. NPS Contribution Pay Head (National Pension System)

- **Description:** Employer's contribution towards the National Pension System.
- **Example:** A fixed percentage of the employee's salary contributed by the employer.
- **Configuration in Tally:** Set the NPS percentage and link it to the salary structure.

