

Exensys Software Solutions Ltd.		AA/B/CCDD V x.y
White Paper		W. E. F. dd/mm/yy

Best Practice
eXensys – Payroll Indian Localization and
Statutory Computations



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Introduction:

eXensys HCM Payroll for India delivers elements, rules, pages, processes, and reports that work with the eXensys Payroll core application to form a complete payroll package.

Using eXensys HCM Payroll for India, establishment information can be captured. eXensys HCM Payroll for India facilitates to enroll employees in Provident Funds, calculate payee and employer Provident Fund contributions. It ensures that monthly contributions are deposited correctly with proper Provident Fund Authority. It ensures that all the payees are registered as per the Employee State Insurance Act. It captures the relevant personal information of payees and deducts appropriate contributions every month. It facilitates to process Bonus and Gratuity allowances. The system enables to record, report, and process taxes deducted as per the Indian Income Tax Act and Profession Tax Act. eXensys HCM Payroll for India facilitates to generate the reports to meet the requirements for year-end recording, reporting, and processing.

Overview:

Payroll for India Localization is to extend the features of the core eXensys HCM Payroll application, which are applicable to India. It provides the payroll rules, elements, and absence processes that are required to run a payroll in India.

eXensys HCM Payroll for India supports the following business processes:

Provident Fund

The provident fund program is a method of retirement savings for India's workforce. HCM Payroll for India facilitates the following:

- Defines the type of employer provident fund calculation (based on maximum amount or full amount). The percentage of Provident Fund for the contribution is 12% (Under head Account No. 01). In addition, an employee can voluntarily

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- contribute to the obligatory contribution of 12%. An employer can contribute 12% on a maximum wages of Rs.6500/-, out of which 3.67% (Under head Account No. 01) to Provident Fund and 8.33% (Under head Account No. 10) to Pension Fund for an employee. The wage limit can be edited as it will be varied based on the government decisions from time to time.
- Ensures that all the payees are registered with a provident fund and capture the personal information of the payees and their beneficiaries. In order to calculate at the wages, earning components such as Basic and DA will be taken into account. User can configure or change the earning components which will be considered as wages at any time.
 - Ensures that the deductions for payee contributions are properly calculated and deducted on a monthly basis.
 - Ensures that the employer contribution (PF and Administrative charges) are properly calculated.
 - The following reports can be generated under PF Statutory Reports:
 1. The Employee PF Scheme- FORM 10
 2. The Employee PF Scheme- FORM 5
 3. The Employees PF Scheme- FORM 3 Revised
 4. Employee PF Organization-Combined Challan
 5. Employees PF and Misc Provisions-Form 12A
 6. Monthly PF Statement
 7. Employees PF Organization FORM-R1 Monthly Return for Employees
 8. Reconciliation Of Remittances
 9. Employee PF Scheme-Form6A
 10. Employee wise PF Register

Employee State Insurance (ESI)

ESI is a social security program designed to provide income protection to workers and their dependents when a payee becomes unable to work or when a payee dies. HCM Payroll for India ensures that all the payees are registered as per the ESI Act. It captures

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the relevant personal information of payees and their dependents and ensures that the deductions for contributions from payees are deducted every month from their pay.

The maximum wage limit for ESI contribution is Rs.10000. The maximum limit can be configured at any time. If an employee's salary exceeds 10000/- excluding Over Time earnings, then ESI need not to be calculated. If an employee's salary is below 10000/- and including Over Time if the earnings exceeds 10000/-, then ESI needs to be calculated. For calculating the salary, different income heads such as Basic, DA, HRA, Conveyance, Special Allowance and so on will be taken into consideration, which can be configured accordingly.

There are two ESI periods for ESI contribution: April to September and October to March. If ESI is contributed once in a period, although the employee's salary crosses the maximum limit of Rs.10000/- in next months, the contribution should be done through out the entire period.

For example, if ESI is contributed in April for an employee and in May if the salary exceeds Rs.10000/-, then till September ESI should be contributed. While calculating the ESI, in addition to the earning heads specified for a limit, other earnings such as Over Time, Traveling Allowance, Attendance Bonus and so on has to be considered.

The percentage of ESI contributions are as follows:

Employee: 1.75%

Employer: 4.75%

These rates can be configured in the application.

The applicability of ESI contribution to each employee can be configured or changed at any time.

The following reports can be generated under ESI Statutory Reports:

1. Employees State Insurance Corporation - FORM 3
2. ESIC
3. ESIC FORM 7

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4. ESIC Form No 6
5. ESIC Salary Report

Professional Tax

The frequency to deduct profession tax varies based on the states. The deduction frequencies for each state (monthly, quarterly, semi-annually or annually) are stored in terms of variables (one variable for each state).

Rates and slabs that are applicable to each state are stored in PT (Professional Tax) Masters (one PT Master for each state). Each employee is linked to a sub organization and the sub organization is linked to a state. The rates that are applicable to each state are stored in a PT Master. Professional Tax differs from state to state and the deduction is based on the determined frequency. The deducted amount towards Professional Tax is considered for the calculation of Standard Deduction for Income Tax process flow. [®]

The following reports can be generated under PT Statutory Reports:

1. Returns of Tax Payable By Employer
2. Employee wise PT Register

Income Tax Computation

The companies must deduct and report on Income Tax. eXensys HCM Payroll for India provides a functionality to meet the legislated tax recording, reporting, and processing requirements, for the taxes deducted as per the Indian Income Tax Act.

The features of eXensys HCM Payroll - Income Tax Module are as follows:

1. Exemption calculation for HRA, Medical, LTA and so on.
2. Perks calculation for Sub-Loan Interest, Accommodation, and Car and so on.
3. Provision of storing projected investment amount declared by the employee.
4. Provision for considering past emoluments in case if an employee joins during the financial year.

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5. Income Tax Projection with actual TDS to be deducted from the current month's salary.
6. Calculation of One Time Tax on one time payments.

The following reports can be generated under Income Tax Statutory Reports:

1. Employee Declaration
2. Employee Declaration Vs Claim
3. Employee wise TDS register monthly
4. Form 16
5. Computation of Total Income
6. Form No. 12BA

Computation of Gratuity

The gratuity needs to be calculated for the employees completing service of 5 years. This is paid only at the time of separation and it is a part of the full and final settlement. [®]

The formula for the calculation of gratuity is:

$$((\text{Basic Salary} + \text{DA}) * 15 * \text{Number of Years in service}) / 26.$$

Computation of Bonus

For the Bonus allowance program, a user can define the policy (including who can be covered under Bonus act). It captures the calculation formula for the specified year or period, and tracks the bonus payment details based on the sub-organization.

Bonus computation for the employees is based on every month's earned basic. The system prepares a statement based on the financial year. Bonus component is paid @ % based on the salary, as per the policy for the permanent employee's and which is payable once in a year. If there is a Loss of Pay, then the earned component is only considered for the calculation of bonus component. There will be a default Bonus head created in Income and expenditures Master for this purpose. In this screen, if required, effective month of the same has to be considered so as to capture it in the salary. Bonus calculation is based on the calculated salary for the selected date range.

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Year-end processing

One of the tasks that must be undertaken in the annual payroll cycle is year-end processing. The system provides a functionality to meet the requirements for year-end recording, reporting, and processing. Year-end reports are generated in a defined format for the required annual reporting under legislation such as ESI Act, Provident Fund Act, Profession Tax Act, and Income Tax Act. Year-end information can be easily provided to both the regulatory authorities and the payees, at the end of the financial year.

Benefits:

1. Generation of all Statutory Reports.
2. Income Tax system is regularized with eXensys HCM Indian Payroll integrated package.
3. Flexible way to define and execute payroll, absence processing flow and statutory compliances.

Conclusion:

eXensys HCM Payroll for Indian Localization helps the businesses to control their payroll. eXensys HCM Payroll for India facilitates to enroll employees in Provident Funds, calculates the payee and employer Provident Fund contributions. It ensures that the monthly contributions are correctly deposited with the proper Provident Fund Authority. It also ensures that all the payees are registered as per the Employee State Insurance Act. It captures the relevant personal information of payees and deducts appropriate contributions for every month. It allows to issue loans and advances to payees, and then deduct the repayment amount from payee's salary on a monthly basis. eXensys HCM Payroll for India facilitates to generate pay slips and reports to meet the requirements of year-end recording, reporting, and processing.