

XERO PAYROLL HANDBOOK

Become a Xero Superhero!

prepared by



Brought to you by **BUSINESS LAB**



© Whitelaw Weber Limited 2020. Not to be reproduced or altered without written permission from the owner.



Table of Contents

Payroll Settings

Employee setup

Contractor setup

Timesheets

Processing a pay run

Taxes & Filings

Reconciling Reports

Xero Me App

Your Notes

Payroll Settings

To access payroll settings, click on your organisation name, and then [Settings— Payroll Settings](#)

When you run a pay run, Xero creates a transaction behind the scenes.

The gross wages go to an expense account, which is set from "Wages Expense Account." Xero then splits the gross wages into two parts, as liabilities owed to IRD and your employees.

The PAYE and deductions owed to Inland Revenue go to a liability account, which is set from "PAYE Liability Account".

The net wages payable to employees go to a liability account, which is set from "Wages Payable Account".

The screenshot displays the 'Payroll settings' page for 'Whitelaw Weber Demo Company'. The navigation bar includes 'Dashboard', 'Business', 'Accounting', 'Payroll', and 'Contacts'. The 'Payroll settings' page has tabs for 'Organisation', 'Calendars', 'Holidays', and 'Pay Items'. The 'Organisation' section contains four dropdown menus: 'Bank Account' (602: Basics Everyday Account), 'PAYE Liability Account' (825: PAYE Payable), 'Wages Expense Account' (330-02: Wages & Salaries), and 'Wages Payable Account' (805: Net Wages Payable). The 'Payroll Filing' section includes 'Employer IRD Number' (111-111-111), 'Employer Size' (Small), and 'Opening Balances Date' (01 Sep 2017). The 'Payroll Tracking' section includes 'Employee Groups' (None) and 'Timesheet Categories' (Region).

Payroll Settings

Your Notes

Before you can run a pay run, you must set up a pay calendar.

From Payroll Settings, click on the tab [Calendars](#), and then [Add](#)

The screenshot shows the 'Payroll settings' interface with the 'Calendars' tab selected. A modal dialog titled 'Add Pay Calendar' is open, allowing the user to configure a new pay calendar. The dialog includes the following fields and options:

- Pay Period:** A dropdown menu set to 'Weekly'.
- Name:** A text input field containing 'Weekly'.
- Start Date:** A date picker set to 'Apr 1, 2019'.
- First Payment Date:** A date picker set to 'Apr 8, 2019'.
- Checkbox:** A checked checkbox labeled 'Make this my default pay calendar for new employees'.
- Summary:** A text block stating: 'Your pay calendar will run weekly. It will start on 01 Apr 2019 and employees will be paid on 08 Apr 2019.'
- Buttons:** 'Cancel' and 'Add' buttons at the bottom.

Holidays— Here you will find a list of national and regional holidays, grouped by region. You can add your own holiday via the Add Holiday button.

Pay Items—this is where you can set up different earnings types, leave types, reimbursements, deductions & statutory deductions and superannuation.

Employee Setup— Details

Your Notes

To set up a new employee, [Payroll—Employees—Add Employee](#)

The first & last name, date of birth and address are all required fields.

At the next screen, you will need to run through each tab, entering the relevant information for your new employee.

Employees

Employee Name
John Smith ▾

Details (1) Employment (2) Opening Balances (3) Taxes (4) Leave (5)

Details | Employment | Taxes | Leave | Bank Accounts | Payslips | Pay Template | Opening Balances | Notes

✓ John Smith has been saved successfully. ✕

Basic Information

First Name: John
Middle Name (optional):
Last Name: Smith
Date of Birth: John is 41 years old
01 January 1976
Job Title (optional): eg: Marketing Manager
Gender (optional): Male Female

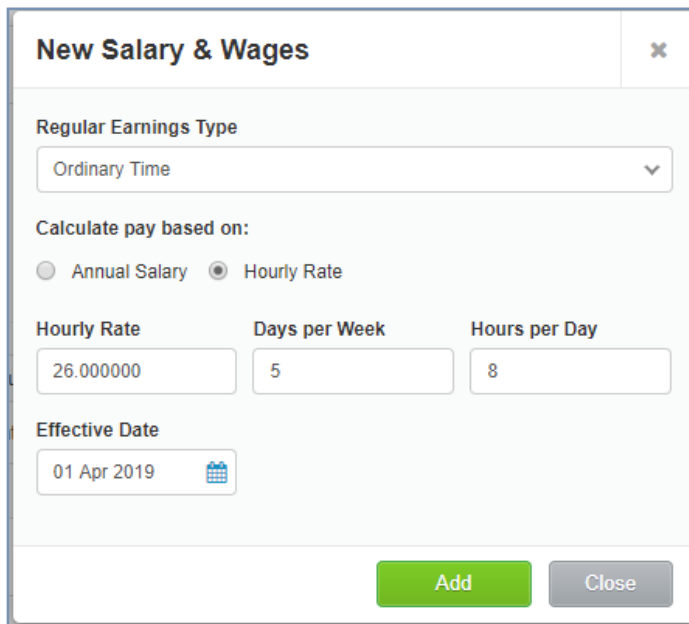
Upload Photo

Employee Setup—Employment

Your Notes

Salaries & Wages are set under the [Employment](#) tab, select [New Salary & Wages](#).

Ensure you click [Save](#) to activate.



The screenshot shows a modal window titled "New Salary & Wages" with a close button (X) in the top right corner. The form contains the following fields and options:

- Regular Earnings Type:** A dropdown menu currently set to "Ordinary Time".
- Calculate pay based on:** Two radio buttons: "Annual Salary" (unselected) and "Hourly Rate" (selected).
- Hourly Rate:** A text input field containing "26.000000".
- Days per Week:** A text input field containing "5".
- Hours per Day:** A text input field containing "8".
- Effective Date:** A date picker field showing "01 Apr 2019" with a calendar icon.
- Buttons:** A green "Add" button and a grey "Close" button at the bottom right.

To change the pay rate for an employee, for example, if given a pay increase, add New Salary & Wages and enter the new pay rate details with the effective date. The current rate will remain active and the new rate will remain pending until the effective date.

Employee Setup—Leave (Permanent Full-Time or Part-Time)

Your Notes

For a new employee, the leave entitlements are pulled from the information provided in the Salary and Wages screen. Select save.

You can then edit these items by clicking on the blue text below each heading.

Leave	Bank Accounts	Payslips	Pay Template	Opening Balances	Notes
-------	---------------	----------	--------------	------------------	-------

Leave Setup

Annual Leave

If your employee is entitled to annual leave, their annual entitlement is automatically calculated by multiplying their hours worked per week by 4 weeks, in [Employment](#)

Annual entitlement (hours)

40 hours per week x 4 weeks = 160 hours

Sick Leave

Annual entitlement (hours)

Multiply the number of days entitled to by hours worked per day

Maximum entitlement (hours)

Multiply the maximum days entitled to by hours worked per day

[Save](#)



Employee Setup—Leave (Casual)

Your Notes

For a new casual employee, under Holiday Pay, you would select “include holiday pay in every pay”, as they are paid their holiday pay as they go with each pay run.

You can then edit these items by clicking on the blue text below each heading.

In most cases, casual employees are not entitled to sick leave, but there are exceptions to this, and you should seek advice on the same..

Leave	Bank Accounts	Payslips	Pay Template	Opening Balances	Notes
<h3>Leave Setup</h3> <h4>Annual Leave</h4> <p>If your employee is entitled to annual leave, their annual entitlement is automatically calculated by multiplying their hours worked per week by 4 weeks, in Employment</p> <p>Annual entitlement (hours)</p> <input type="text" value="0"/> <p>0 hours per week x 4 weeks = 0 hours</p> <p><input type="checkbox"/> Include Holiday Pay in every Pay</p> <p>Employees who do not accrue annual leave are assigned 8% of their gross earnings in addition to their regular wages as holiday pay</p> <h4>Sick Leave</h4> <p>Annual entitlement (hours)</p> <input type="text" value="0"/> <p>Multiply the number of days entitled to by hours worked per day</p> <p>Maximum entitlement (hours)</p> <input type="text" value="0"/> <p>Multiply the maximum days entitled to by hours worked per day</p> <p>Save</p>					



Employee Setup— Leave & Opening Balances

Within the Annual Leave, the option “Include leave available to take in advance” is selected by default. When this tick is checked, Xero combines the employees’ Annual Leave and Holiday Pay balances, to display as one total. It is our recommendation that you deselect this tick box as this can cause confusion regarding entitlement.

The screenshot shows the 'Edit Leave Type' dialog box. The 'Leave' section is set to 'Annual Leave'. The 'Schedule of Accrual' is set to 'On Anniversary Date'. The 'Hours Accrued Annually' is set to 160. The 'Opening Balance' is 0 and 'Total Amount Paid' is empty. The checkbox 'Include leave available to take in advance in the balance' is checked and circled in blue. The 'Save' button is green and the 'Close' button is grey.

Opening balances will need to be entered if you are coming to Xero payroll from another payroll system and hold a pay history for that employee in your previous system. You will need to enter the last 52 weeks earnings details for your employee.

Xero uses this information to calculate the Average Weekly Earnings and Average Daily Pay.



Contractor Setup

Your Notes

To add a contractor, from the Employees page, click on [Add Contractor](#)

As prompted, complete the Contractors personal details, employment information and tax details. WT will be the default tax code.

Refer to the IR330C form from IRD for the relevant tax rate you should be deducting WT at.

If the Contractor is GST registered, simply check this box, and Xero Payroll will work out the GST to be paid to the Contractor and will pull that into your GST return.

GST

Registered for GST

If checked, GST on total earnings will show in Pay template and Payslips.

You can add the Contractor's earning type(s) via the Pay Template.

You can then include the Contractor in your pay run as you would any other employee.

Timesheets

Employees can complete their own timesheets in Xero, provided you have invited them to use My Payroll. They can do this via the mobile app, as well.

Simply enter the number of hours worked. Once the timesheet has been approved by the payroll administrator, Xero will pull the timesheet data into the relevant payrun automatically.

Timesheets > Oct 16 - Oct 22

JD Jane Doe DRAFT Approve

Summary
Saved on October 31st, 2018 at 2:47 pm

Weekly -		
16	Tue	7:30
17	Wed	7:15
18	Thu	8:00
19	Fri	5:00
20	Sat	0:00
21	Sun	0:00
22	Mon	7:45

Ordinary Time 35:30

Your Notes

Processing a pay run

To process a pay run, select [Payroll—Pay Employees](#)

Select the relevant pay calendar from the drop down menu—[Process Pay Run](#)

Review each employee's hours and earnings by [clicking on their name](#).

You can then edit the number of hours worked.

To enter leave into the employee's pay run, you need to first enter a leave request.

TIP: Hold down Ctrl and click on any page link to open that page in a new tab. You can also click with the roller button on your mouse to open a new tab. This means you can keep your pay run open while entering the leave request.

[Payroll—Leave— New](#)

Enter leave request details and approve.

Go back to the pay run you began processing and if the window was left open, you will need to [Reset Payslip](#) from the bottom left of the screen, which will bring the approved leave into the pay run automatically.

New leave request ✕

JD Jane Doe ✕

Sick Leave ▼

Description

Has the flu

Start date End date

02 Apr 2019 04 Apr 2019

Current Leave Balance	Hours
Sick Leave	0
Pay Period	Hours
Fortnight ending 13 Apr 2019	24

Cancel
Approve

Processing a pay run

Your Notes

Review that your employee's earnings, taxes, deductions and leave balances all look correct

[Save & Next](#) will take you to the next employee.

When done, [Save & Close](#).

When you are happy with the pay run, click [post and file](#). If you do not post the pay run and just exit, the pay run will stay in draft until it is either posted or deleted. There can only be one pay run sitting in draft per pay calendar. Xero will alert you to a pay run sitting in draft and you will need to resolve this before you can post the next pay run.

There can only be one draft pay run per calendar. ×

Pay your employees

Process new or unscheduled Pay Runs

New Pay Run: Weekly - - 09 Oct 2017 Process Pay Run

Filter by

Pay Period	Start Date	End Date	Payment Date	Total Cost	Total Pay	Status
Weekly - ending 02 Oct 2017	26 Sep 2017	02 Oct 2017	02 Oct 2017	2,018.80	1,554.04	Draft
Weekly - ending 25 Sep 2017	19 Sep 2017	25 Sep 2017	25 Sep 2017	947.60	737.46	Posted

Processing a pay run

Once posted, your pay run information will be automatically filed to Inland Revenue.

You can revert only the last posted pay run to draft if you need to edit it. To revert to draft, [click into the pay run—Options—Revert Pay Run](#). Once you have made any amendments, when you click [Post and file](#) again, this will override your first pay run for the same period that was filed to IRD.

If you have made an error or missed items off a prior pay run, you can run an unscheduled pay run to correct this. To run an unscheduled pay run, [Payroll—Pay Employees—Drop down menu select Unscheduled Pay Run](#). To reverse incorrect items, you can enter them as negative. You can run an unscheduled pay run to go back to up to eight pay periods prior to the current date.

Once you have completed a pay run, you can e-mail payslips straight to employees, or download and print from the options drop down box.

You can view the amounts payable by [clicking into the pay run—Options—View Payments Report](#) (to view the sum payable to employees) or Export Payment File, which can then be uploaded straight into your internet banking, provided you have a Business Banking log-in.

Your Notes

Pay Run Options

Pay Runs > Weekly - ending 02 Oct 2017 Posted

Pay run successfully processed. Payroll expense journal has been posted automatically. ×

Earnings 1,960.00	Reimbursements 0.00	Superannuation 58.80	Total Cost 2,018.80
-----------------------------	-------------------------------	--------------------------------	-------------------------------

Payment Date: 02 Oct 2017

Employee	Last Updated	Earnings	Net Pay	Memo
Jane Doe		920.00	737.46	
John Smith		1,040.00	816.58	

Options ▼ Back

- Email Payslips
- Download Payslips**
- View Payroll Activity Details Report
- View Pay Summary Report
- View Payments Report
- Export Payment File
- Revert Pay Run

Final Pay Run

Your Notes

To run a final pay run for an employee whose employment is ending, select Set As Final Pay from the employee's pay run screen.

We recommend that you contact us if the gross final pay is more than it would be in a normal pay period, as taxes will need to be calculated differently.

Employee	Net Pay	Net Superannuation	Total Cost
Jane Doe ▾	737.46	22.88	947.60

Earnings ?				Add ▾
Earnings Type		Rate	Amount	
Ordinary Time	40.0000 HOURS	23.000000	920.00	
			Total Earnings	920.00

Employee Taxes ?				Add ▾
Period: 1 week	Tax Code: M	Lump Sum: none	Edit tax settings	
Employee Tax Type		Amount		
PAYE		154.94		
			Total Employee Taxes	154.94

Reimbursements ?	No Reimbursements

Reset Payslip	Set As Final Pay	Back	Save & Next	Save
-------------------------------	----------------------------------	----------------------	---------------------------------	----------------------

Taxes & Filings

Your Notes

Payroll—Taxes & Filings

With Payday filing, your payroll information is being sent to IRD every pay period when you post the pay run. You no longer need to file a monthly PAYE return.

The PAYE payment is still due on the 20th of the month following that payday, so you can check the amount payable to IRD in the Taxes and Filings section.

You also have access here to your monthly PAYE history.

Payment for 01 - 31 May 2019 ✕

Status	Payment Period
Payday	01 - 31 May 2019
<hr/>	
Due Date	
20 Jun 2019	
<hr/>	
Employer Deductions	Amount
PAYE	\$1,513.40
Child Support Deductions	\$0.00
Student Loan Deductions	\$148.80
KiwiSaver Deductions	\$247.20
Net KiwiSaver Employer Contributions	\$196.48
ESCT	\$50.72
Amount Payable	\$2,156.60
<hr/>	
Download PDF	
Close	

Reconciling Reports

Your Notes

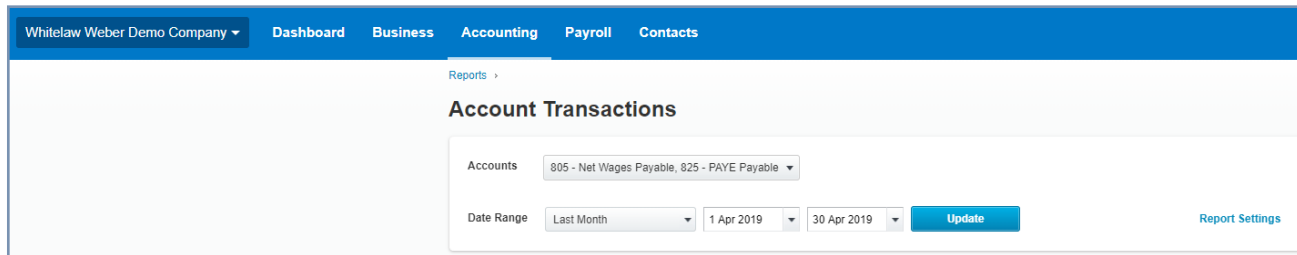
As we covered briefly in Payroll Settings, the net wages payable and the PAYE and deductions payable both go to liability accounts. The payments you make for these need to be coded to the same liability account, to offset the outstanding liability as being paid.

Net wages are coded to the Wages Payable liability code. PAYE paid to Inland Revenue is coded to the PAYE Payable liability code.

To check if your wages reconcile, you can run Account Transaction reports which will tell you if your liability comes back to zero as expected. We recommend that you run these reports once a month, or once every two months, depending on how many employees you have.

[Accounting—Reports—Account Transactions](#) (under the Accounting heading).

In the accounts bar, select the Wages Payable and PAYE Payable accounts. Select the relevant date range and update.



The screenshot shows the 'Account Transactions' report interface. At the top, there is a navigation bar with 'Whitelaw Weber Demo Company' and tabs for 'Dashboard', 'Business', 'Accounting', 'Payroll', and 'Contacts'. Below this, the 'Reports' section is active, showing the 'Account Transactions' report. The 'Accounts' dropdown menu is set to '805 - Net Wages Payable, 825 - PAYE Payable'. The 'Date Range' is set to 'Last Month', with specific dates '1 Apr 2019' and '30 Apr 2019' displayed. There is an 'Update' button and a 'Report Settings' link.

Reconciling Reports

Your Notes

You can expect to see that the wages payable created by the pay run is offset by the wages paid to your employee and should come back to a zero closing balance if all wages owing have been paid.

Account Transactions

Whitelaw Weber Demo Company

For the period 1 September 2017 to 31 October 2017

Date	Source	Description	Reference	Debit	Credit	Gross	GST
Net Wages Payable							
Opening Balance				-	-	-	-
25 Sep 2017	Payroll Expense	Wages Payable - Payroll	Payroll Expense Journal - PD-1	-	737.46	737.46	-
25 Sep 2017	Spend Money	Jane Doe	Wages	737.46	-	(737.46)	-
2 Oct 2017	Payroll Expense	Wages Payable - Payroll	Payroll Expense Journal - PD-3	-	1,554.04	1,554.04	-
2 Oct 2017	Spend Money	Jane Doe	Wages	737.46	-	(737.46)	-
2 Oct 2017	Spend Money	John Smith	Wages	816.58	-	(816.58)	-
Total Net Wages Payable				2,291.50	2,291.50	-	-
Closing Balance				-	-	-	-

Reconciling Reports

Your Notes

You can expect that the PAYE and deductions paid to the IRD also offset the pay run figures to come back to a closing balance of zero if this has all been paid. More likely, however, is that the closing balance is equal to the PAYE payable from the previous month, which is fine.

The important point is that both sides of the transaction are balancing each other out so the amount you owe from payroll is correct in Xero.

PAYE Payable							
Opening Balance				-	-	-	-
25 Sep 2017	Payroll Expense	Tax	Payroll Expense Journal - PD-1	-	154.94	154.94	-
25 Sep 2017	Payroll Expense	Statutory Deductions	Payroll Expense Journal - PD-1	-	27.60	27.60	-
25 Sep 2017	Payroll Expense	Superannuation	Payroll Expense Journal - PD-1	-	27.60	27.60	-
25 Sep 2017	Payroll Expense	ESCT	Payroll Expense Journal - PD-1	-	4.72	4.72	-
25 Sep 2017	Payroll Expense	ESCT Benefit	Payroll Expense Journal - PD-1	4.72	-	(4.72)	-
2 Oct 2017	Payroll Expense	Tax	Payroll Expense Journal - PD-3	-	347.16	347.16	-
2 Oct 2017	Payroll Expense	Statutory Deductions	Payroll Expense Journal - PD-3	-	58.80	58.80	-
2 Oct 2017	Payroll Expense	Superannuation	Payroll Expense Journal - PD-3	-	58.80	58.80	-
2 Oct 2017	Payroll Expense	ESCT	Payroll Expense Journal - PD-3	-	10.14	10.14	-
2 Oct 2017	Payroll Expense	ESCT Benefit	Payroll Expense Journal - PD-3	10.14	-	(10.14)	-
2 Oct 2017	Spend Money	Inland Revenue	PAYE September	210.14	-	(210.14)	-
Total PAYE Payable				225.00	689.76	464.76	-
Closing Balance				-	464.76	-	-
Total				2,516.50	2,981.26	464.76	-

Reconciling Reports

You will see from the previous page that the closing balance of the PAYE Payable is \$464.76. This figure should match the PAYE currently owed to the Inland Revenue.

To check this, [Payroll—Taxes & Filings—Click into current month](#)

The amount payable equals the amount outstanding in the PAYE Payable account. This means our wages balance.

If it does not balance and it is not clear why, please contact your Client Manager and we can assist.

Filing for 01 - 31 Oct 2017 ✕

Status	Filing Period
Pending	01 - 31 Oct 2017

Due Date	Filed Date	Forms
20 Nov 2017	Not yet filed	EDF, EMS, KED

Employer Deductions	Amount
PAYE	\$347.16
Child Support Deductions	\$0.00
Student Loan Deductions	\$0.00
Kiwi Saver Deductions	\$58.80
Net KiwiSaver Employer Contributions	\$48.66
ESCT	\$10.14
Amount Payable	\$464.76

[Download PDF](#)
[Download File](#)

Mark As Filed
Close

Your Notes

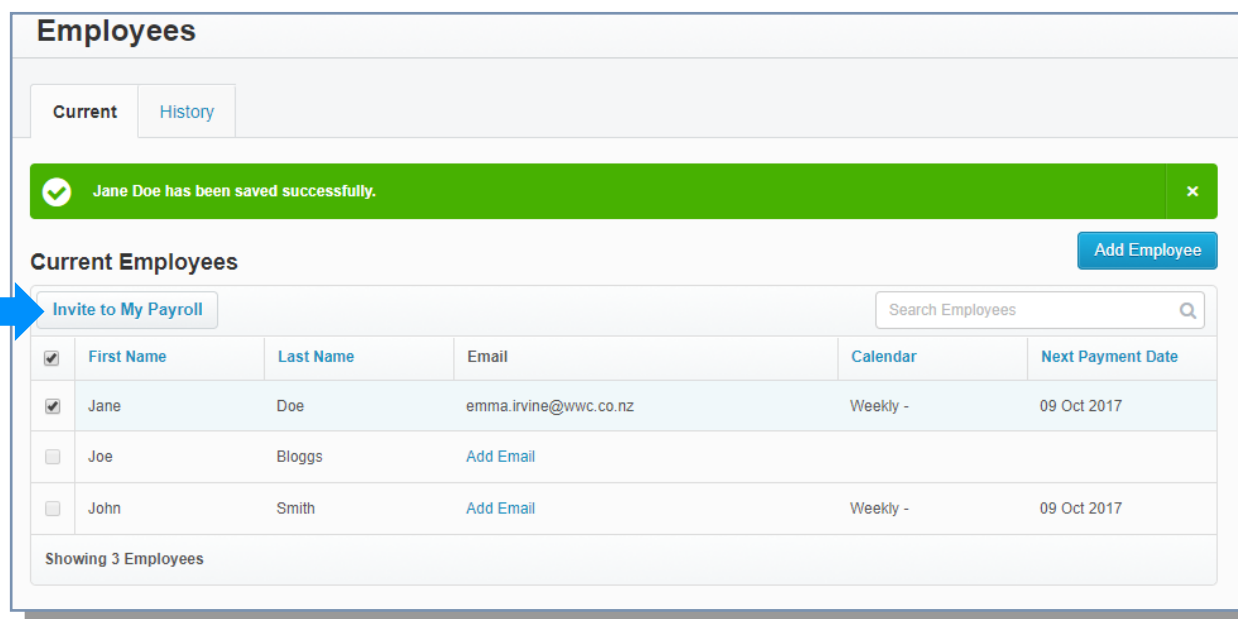
Xero Me App

The Xero Me App is separate from the standard Xero App and is for Payroll Administrators and Employees to communicate with each other and allows both parties to keep records on the go.

The app is available for both iOS and Android devices.

To access, your employees need to be invited first. To invite an employee, [Payroll—Employees—Select the employees to invite down the left hand check boxes—Invite to My Payroll](#).

The employee must have a unique valid e-mail address.



The screenshot shows the 'Employees' management interface. At the top, there are tabs for 'Current' and 'History'. A green notification bar at the top states 'Jane Doe has been saved successfully.' Below this, the 'Current Employees' section features an 'Add Employee' button and a search bar labeled 'Search Employees'. A blue arrow points to the 'Invite to My Payroll' button. The main area contains a table with columns for 'First Name', 'Last Name', 'Email', 'Calendar', and 'Next Payment Date'. The table lists three employees: Jane Doe (emma.irvine@wwc.co.nz), Joe Bloggs (Add Email), and John Smith (Add Email). A footer indicates 'Showing 3 Employees'.

<input checked="" type="checkbox"/>	First Name	Last Name	Email	Calendar	Next Payment Date
<input checked="" type="checkbox"/>	Jane	Doe	emma.irvine@wwc.co.nz	Weekly -	09 Oct 2017
<input type="checkbox"/>	Joe	Bloggs	Add Email		
<input type="checkbox"/>	John	Smith	Add Email	Weekly -	09 Oct 2017

Xero Me App

Once invited, the user will receive an e-mail invitation to log into the app.

Employees can;

- Request leave
- Change or delete pending leave requests
- Submit timesheets
- Edit or delete timesheets
- View payslips and save them as PDFs
- Check leave balances, pay details and update personal details

Payroll administrators can;

- Approve or decline leave requests
- Approve or decline a timesheet



Need More Help?

If you feel you need more information or assistance to make sure you get the most out of Xero, please don't hesitate to make a time for further training with your Client Manager. Please call us on 09 407 7117.

Ashlea Benjamin	Ext. 219	ashlea@wwc.co.nz
Chelsea Downey	Ext. 203	chelsea@wwc.co.nz
Donna Young	Ext. 226	donna@wwc.co.nz
Emma Irvine	Ext. 220	emma@wwc.co.nz
Hariata Shortland	Ext. 225	hariata@wwc.co.nz
Ingrid Munford	Ext. 221	ingrid@wwc.co.nz
Kathleen Dunn	Ext. 223	kathleen@wwc.co.nz
Lindsay Russell	Ext. 224	lindsay@wwc.co.nz
Rose Baker	Ext. 241	rose@wwc.co.nz
Tahnee Pauley	Ext. 210	tahnee@wwc.co.nz
Tracey French	Ext. 206	tracey@wwc.co.nz

Your Notes

Training Sessions at Whitelaw Weber

The Business Lab

Due to the COVID-19 pandemic, we have had to rethink the way we offer trainings. The Business Lab is currently being formatted into an online classroom. We will let you know when it is up & running!

What does The Business Lab entail?

Business owners need a broad set of skills ranging from 'on the tools' expertise through to sales, marketing, technology and managing money, just to name a few. But how and where can you develop these skills?

- Identify how your business is performing across key metrics.
- Get tools, insights and strategies to grow your business.
- Create a prioritised action plan to provide momentum and accountability.
- Fill skill gaps by identifying what you know you don't know (KDK) and what you don't know you don't know (DKDK).
- Develop a holistic view of business management.
- Leverage expertise and knowledge from other business owners and the facilitators.
- Get hands-on learning through practical exercises and workshops.

“ Some people dream of **Success** while other people get up every morning and **make it happen.**”
Which are you?

If you want to learn how to create a thriving, sustainable business, the Business Lab Programme is for you.

Give us a call 09 407 7117 to find out more.

Zoom

Unable to get into one of our offices? If you are unable to travel, feeling unwell or just don't have time to pop in, let us know & we will organise a Zoom meeting! Zoom is innovative online software, allowing users to have video meetings, share screens & have live chat. Zoom enables quick adoption with meeting capabilities that make it easy to start, join, and collaborate across any device. We know that sometimes you just can't make it in, which is why we are happy to work with Zoom, an alternative meeting host.

#TECHTALKS

Tech Talks is back! Every Tuesday between 9 - 11am, you can book a 10 minute Zoom meeting with our software expert Tahnee Pauley.

Contact reception on info@wwc.co.nz to book a 10 minute Tech Talks spot.



© Whitelaw Weber Limited 2020. Not to be reproduced or altered without written permission from the owner.

