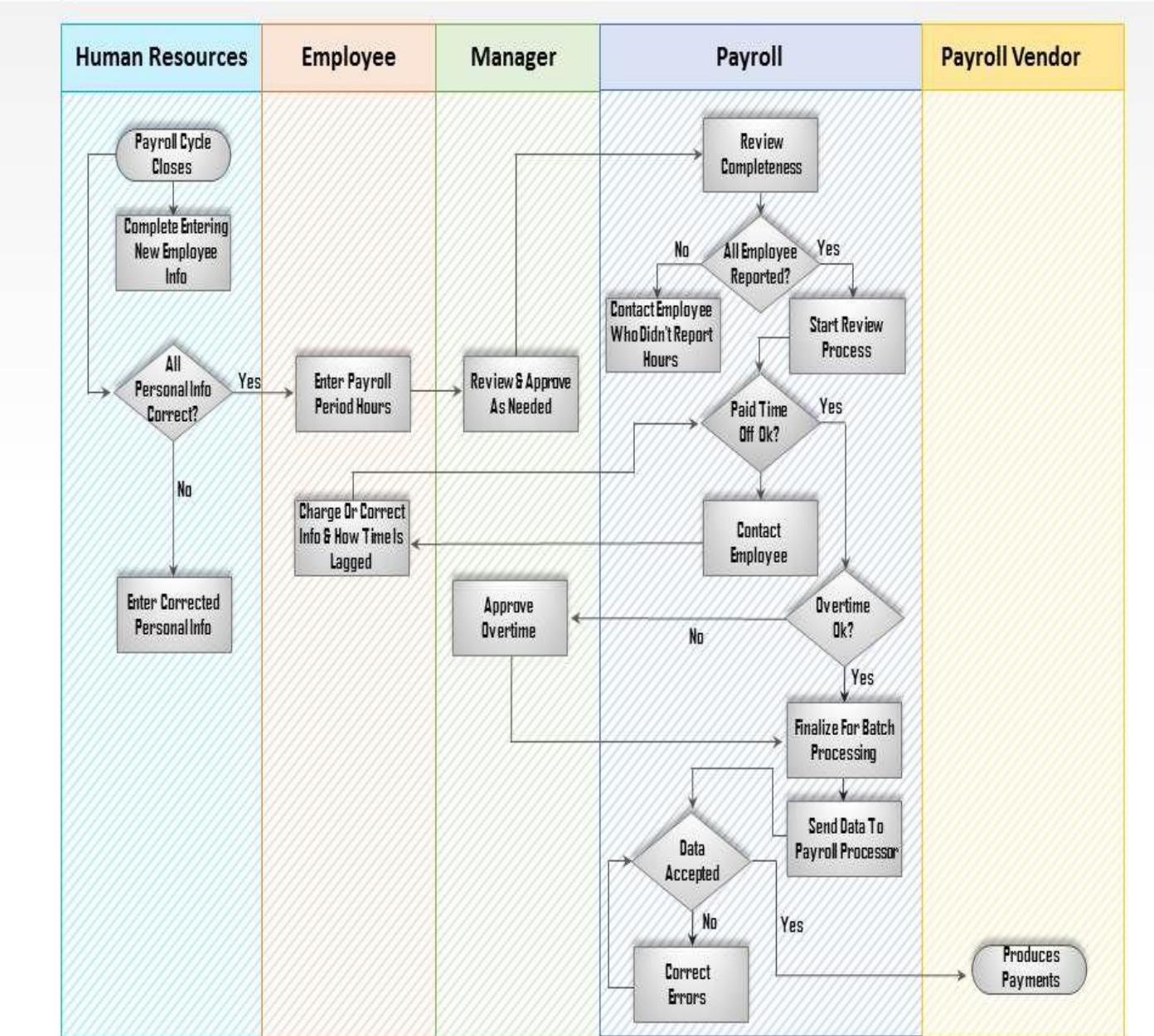
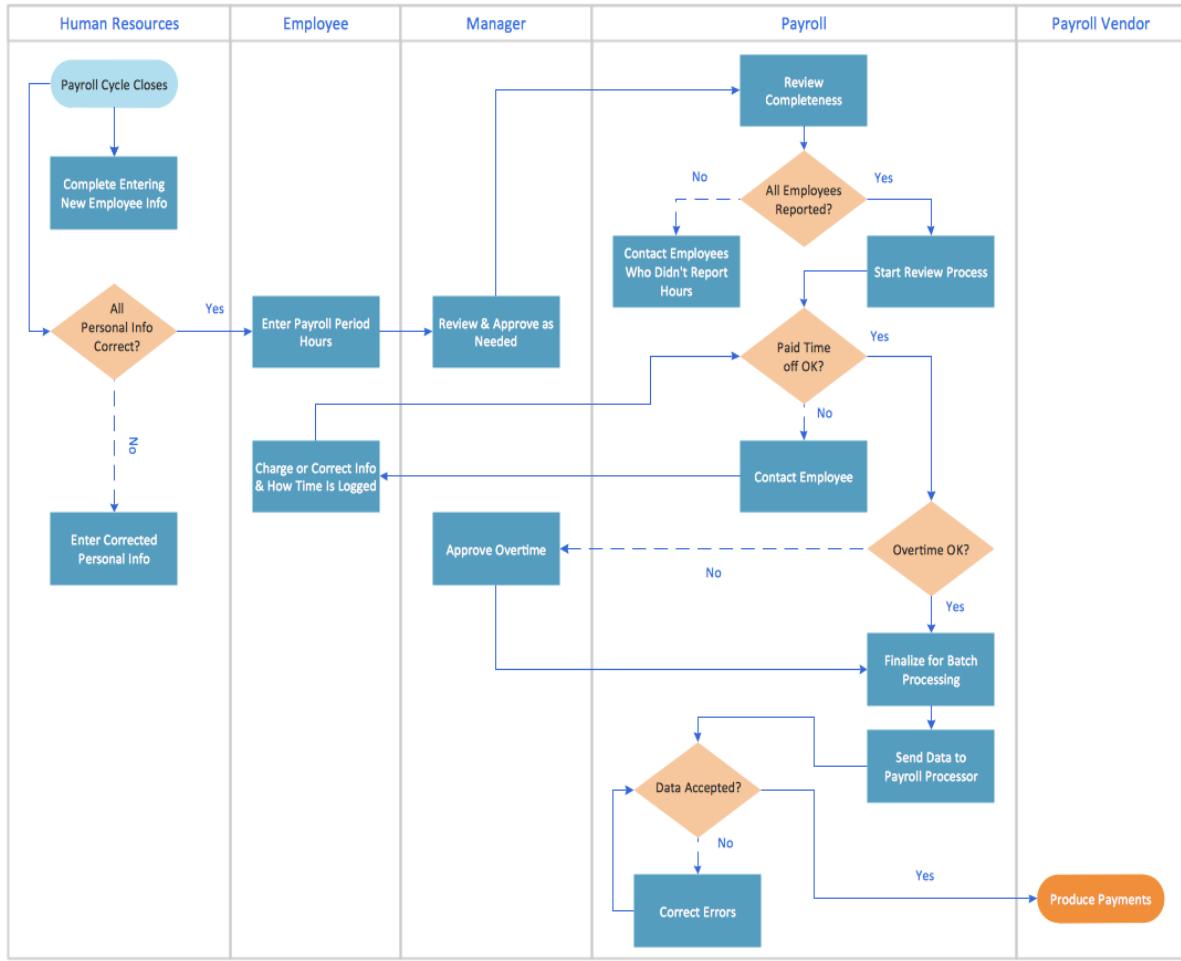


## Payroll Procedures & Steps – Kavtech

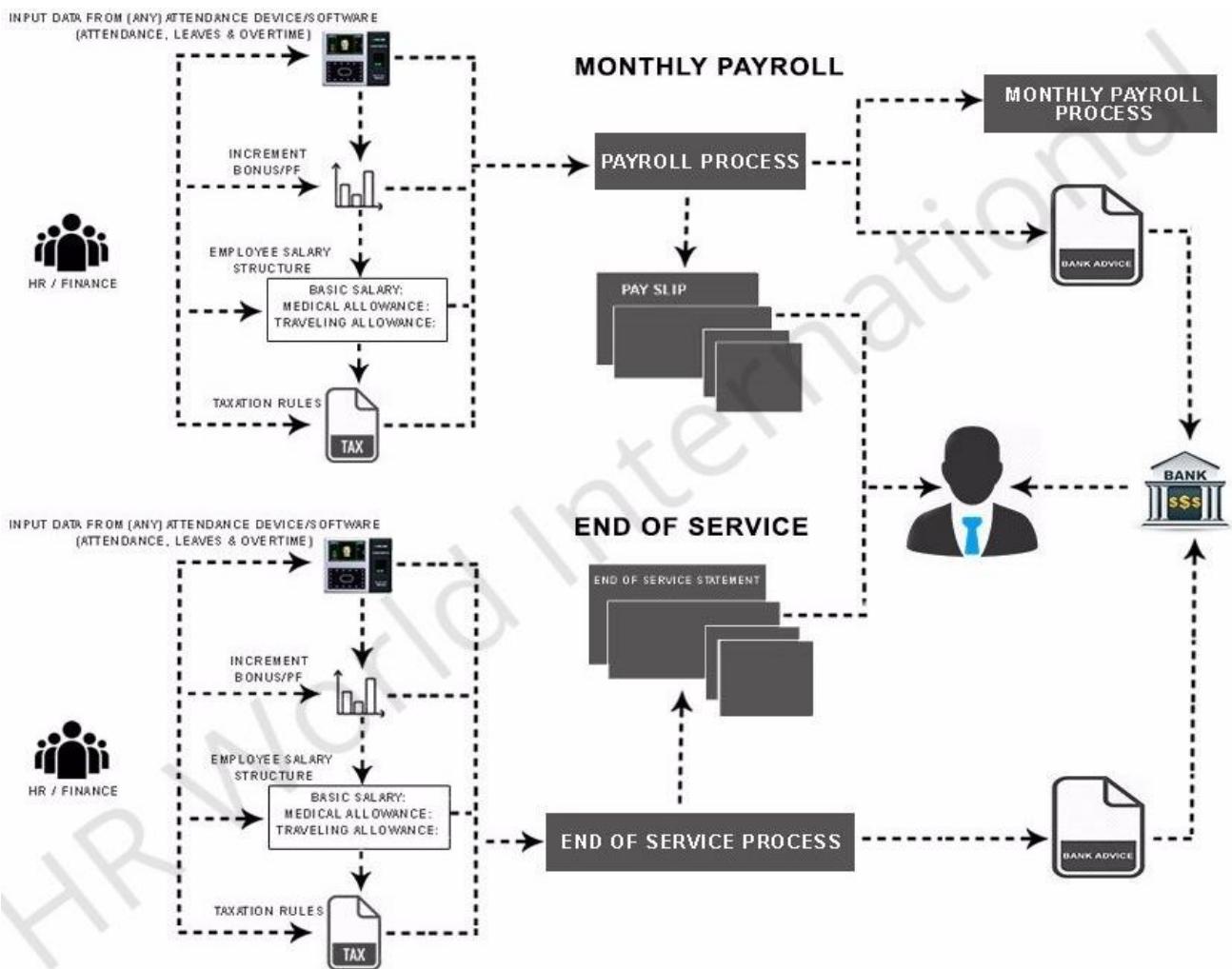
1) Payroll Process Flow Chart:

### Payroll Process Flowchart





## 2) Salary & Payroll Steps for Kavtech HRMS:



Note: Enclosed excel sheet with Payroll inputs, procedures, chart of accounts, bank sheet, payslip format and salary sheet has been already discussed.

### 3) Payroll Calculation

#### #1 – Types of Payroll

- a. There are multiple types of employee and for that different technique of **payroll** calculation method is followed:
- b. **Payroll for hourly workers** – To calculate the pay of hourly workers, a few documents such as a timecard or timesheet are required. Timecard or timesheet is a piece of relevant information for payroll calculation as it contains the required details of hours worked by an employee or worker. To calculate the payroll based on hourly requirements, the organization also needs the rate assigned to the various classes of employees or workers. For example: if the worker has worked 38 hrs. A week and the payment schedule is for weekly payments with a rate of \$12 an hour; the calculation would be 38 hrs. \* 1 week \* \$12 per hour = \$146.
- c. **Payroll Calculation for Salaried Workers** – Employees with a fixed salary are paid in terms of salary as a fixed amount. Generally, the fixed pay receiver is not entitled to overtime bonuses. Also, the DOL (Dept. of Labor) has specified criteria for calculating overtime payments, so it is better to comply with the criteria laid by DOL and work out the salary payments. For example, an employee has an annual salary of \$84000 and is being paid semi-monthly. Calculate the pay per salary for that particular person.  $\$84,000 / 24 = \$3500$ .

#### #2 – Deductions

- d. There are multiple mandatory and voluntary deductions from the worker's salary for federal reserves. The federal structure uses the amount for multiple causes ranging from social security to medical expenses.
- e. **Income Taxes** – The employers need to deduct and withhold the portion of the employees' wages as an income tax to be submitted and paid to the federal agencies. Forms like IRS W-4 or tax tables in IRS Circular E or Employer's Tax guide help the employee and employer deduct taxes as per the requisite earning structure. The employee fills up a form with all the relevant details such as the amount required to be claimed by them, marital status, and other required information for filing taxes with statutory agencies. The income tax varies for different salary brackets and keeps increasing with the increase in the earning slabs.
- f. **Social Security (EOBI)** – An another **deduction from payroll**, these deductions are collected by EOBI to cater to social security needs such as disability programs, retirement benefits, etc. It has a wage-based limit and other rates that keep changing from time to time.
- g. **Medicare** – It is an additional payroll tax deduction that is mandatory, and unlike social security taxes, there is no base limit for deducting the Medicare taxes. The amount deducted is utilized by state and federal insurance and medical services.

#### #3 – Submission of Withheld Taxes

- h. An employer also has to regularly deposit the withheld amount with federal agencies' data. In addition, the employers are required to report and submit to Federal Unemployment Taxes (FUTA) which also takes care of unemployment compensation issues. Finally, as per the IRS's guidelines, an employer must submit details and withhold taxes every quarter in Form 941 (Employer's Quarterly Federal Tax Return).
- 4) **Link for Payroll formula's with examples:** <https://www.wallstreetmojo.com/payroll-formula/#popmake-95356>