Payroll Payment and Deduction Codes - FAQ

What do the different fields mean when adding a Payroll Payment and Deduction code parameter?

This article describes some of the fields and what they are used for when adding these parameters. This article should also be read in conjunction with any other knowledge base articles regarding the setup of different codes as well as the **Setting Pay Codes** topic in LawMaster > Help > System Overview.

A number of pay codes are pre-defined to the system and these should be checked prior to adding additional pay codes. Note the Pay Code must not be more than four characters in length.
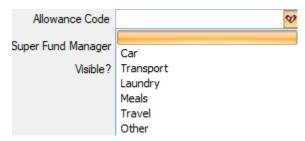
Hours

Normal Pay? field is used to flag whether this hourly code is considered to be ordinary times earnings i.e. whether superannuation is calculated or not. Monies paid will also be included in the gross salary of the employee and taxed at their normal tax rate based on the pay period. If you have a bonus set up as a H-code then it will be taxed based on pay period and tax rate which may be high depending on the amount of the bonus.

Allowances

Normal Pay? field > if ticked will be included in the ordinary pay calculation and superannuation will be calculated.

Normal Pay? field > If unticked will not be included in the ordinary pay calculation and no superannuation is calculated.   The amount will also appear as an allowance on the PAYG Summary.

After Tax? field > if an after tax allowances i.e. no tax to be calculated on this amount, tick this field. An example of this could be for a reimbursement, you would also then tick Exclude on PAYG.   If the Allowance is to be taxed, then leave the After Tax field unticked. You will then need to set the Allowance Code field to be the Reportable Allowance Code as per the drop down list.

Deductions

Normal Pay? field > Not used for deductions as superannuation is not calculated.

After Tax? field > if an after tax deduction, tick this field. If before tax deduction, untick this field.

Exclude from EGS field > to determine whether superannuation is calculated on the gross amount or not.

If a BEFORE TAX deduction - Before Tax Deductions are excluded from the Gross Payments field on the PAYG Payment Summary. If the Exclude from EGS tick box is checked the Deduction amount is deducted from the Normal Pay of the Employee for Employer Superannuation Contribution purposes. This means that if my gross earnings for the week is $5,000.00 and I salary sacrifice $2,000.00 I get taxed on $3,000.00 and superannuation is paid on $5,000.00. If the EGS field is ticked then superannuation is calculated on the $3,000.00.

Deduction Code field > you are able to select as per the drop down list (if required).