

Reducing and Non-Reducing Balance Allowances and Deductions

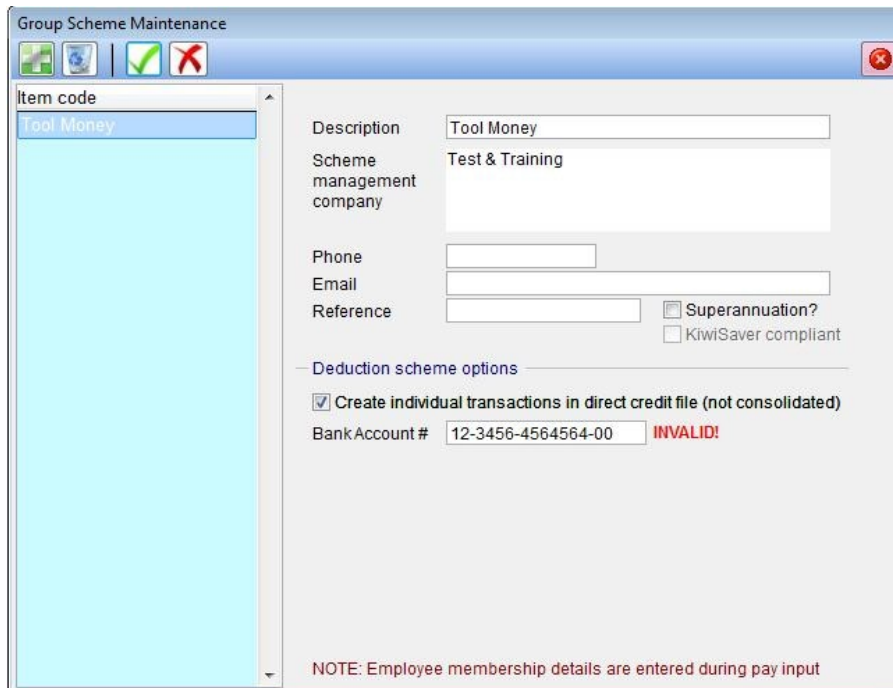
Group Schemes are the key to collecting and aggregating common *Deductions*, and also provide the means by which **SmoothPay** maintains *reducing and non-reducing balance Allowances* and/or *Deductions*.

Reducing Balance Group Schemes for *Allowances or Deductions* can be set up for anything such as *Debt Repayment, Court Fines* (although these can also be added to *Net Pay Deductions* instead), *drip-fed Bonus or Back Pay Payments* (avoiding too much extra-emolument tax but an *Allowance* paid this way could possibly reduce an Employee's tax liability on a large lump sum payment) and any other situation that a regular payment is required *until a balance has been paid*.

Non-Reducing Balance Group Schemes for *Allowances or Deductions* can also be used for the collection and aggregation of *Union Fees, Superannuation (except KiwiSaver), Social Club* etc and any information required about the Member is *entered* in the *Group Scheme Membership details* box and can be listed in the *Group Schemes Report*.

Creating a Group Scheme

- Choose **Payroll Codes...Group Schemes** - add an entry for *Debt Repayment* (our example – *Tool Money*) by clicking on the *White Plus in Green Icon*.
- The “*Scheme Management Company*” will be your (or any) *Company* - whoever the *Debt* is owed to.
- If you specify a *Bank Account number*, then any *Deductions* linked to this *Group Scheme* will be consolidated and included on your *Direct Credit Schedule File*.



Creating a Deduction linked to that Group Scheme

- Choose **Payroll Codes...Deductions** - add an entry for *Debt Repayment* (our example – *Tool Money*) by clicking on the *White Plus in Green Icon* and link it to the *Group Scheme (Tool Money)* created.
- This *Deduction's Method of Calculation* should be "*amount per pay period*", although any of the *Methods of Calculation* provided can be used.

The screenshot shows the 'Deduction Maintenance' window. On the left, a list of item codes includes ADVANCE, SOCIAL, TOOL (highlighted), and UNION. The right side of the window contains the following fields and options:

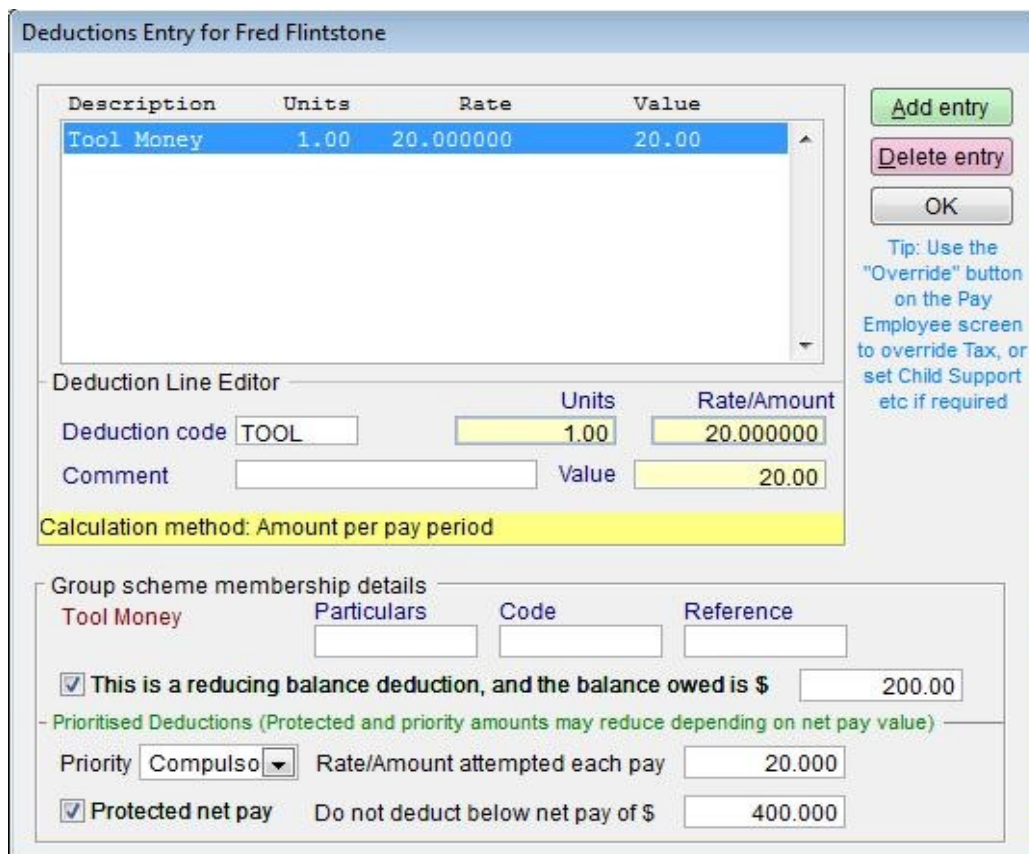
- Deduction code: TOOL Inactive
- Description: Tool Money
- Category: (empty dropdown)
- Method of calculation: Amount per pay period (dropdown) Use a scale of rates
- Group scheme: Tool Money (dropdown)
- GST method: None (dropdown) (applies only to regd employees)
- Stop GST to GL? (set only if GST has already been accrued in GL)
- Ledger account: CONTROL (dropdown)
Wages Control Account
- Employer calculation (employer calculation only - does not affect employee's net pay. Useful for subsidies etc)

NOTE: Rates/amounts are entered when this code is used during pay input

- Link this *Deduction* to the *Group Scheme* by clicking on the *Group Scheme drop down box* and select the correct *Group Scheme*.

Entering that Group Scheme into an Employee's Pay Input

- For each Employee paying back Debt to your Company, choose **Pay Input...F7 (Deductions)**
- Click **Add Entry**, then click on **Deduction Code** and select the **Deduction - Tool** in this instance



Description	Units	Rate	Value
Tool Money	1.00	20.000000	20.00

Deduction Line Editor

Deduction code: Units: Rate/Amount:

Comment: Value:

Calculation method: Amount per pay period

Group scheme membership details

Tool Money	Particulars	Code	Reference
	<input type="text"/>	<input type="text"/>	<input type="text"/>

This is a reducing balance deduction, and the balance owed is \$

Prioritised Deductions (Protected and priority amounts may reduce depending on net pay value)

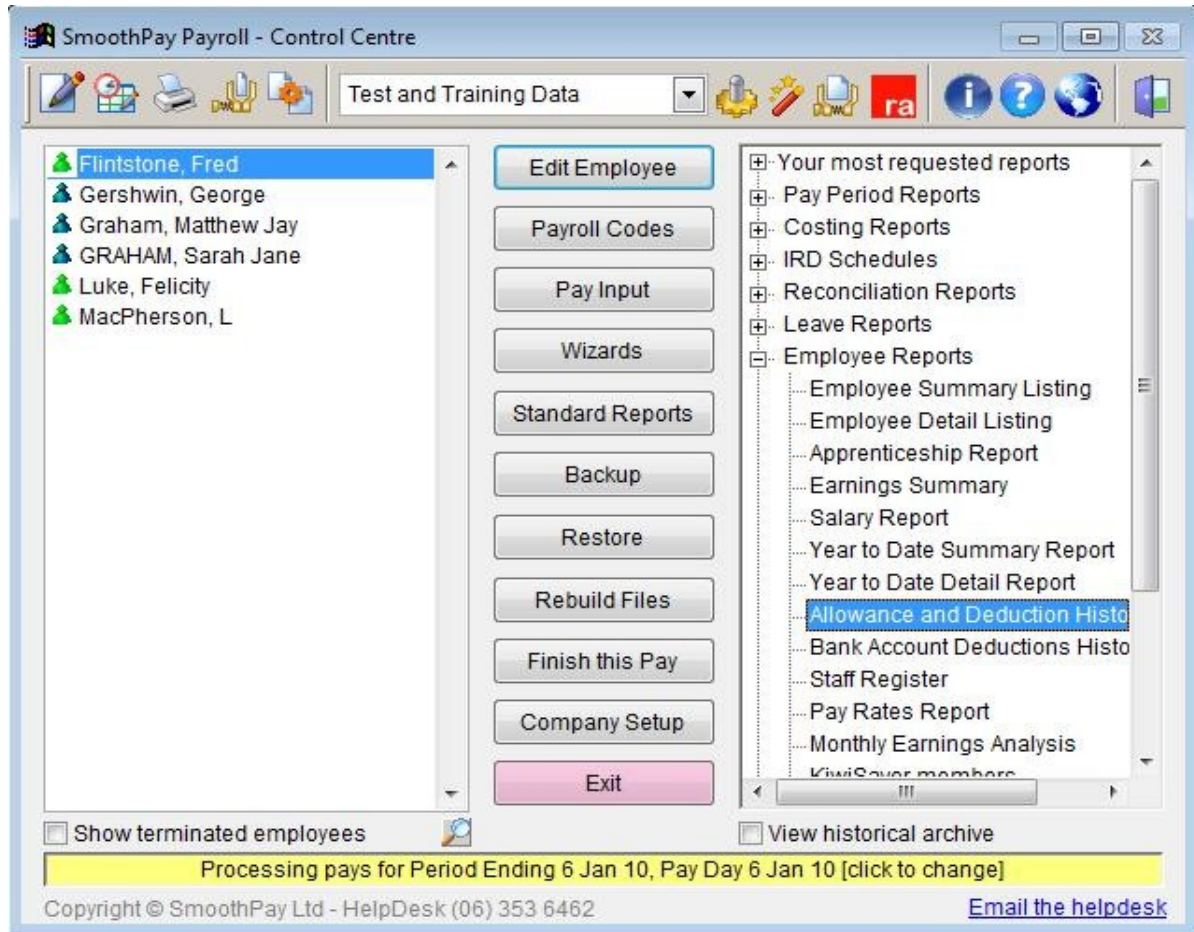
Priority: Rate/Amount attempted each pay:

Protected net pay Do not deduct below net pay of \$

- As this *Deduction* is linked to a *Group Scheme*, you can specify if it is to be treated as a *Reducing Balance* by ticking the "This is a Reducing Balance Deduction, and the Balance Owed is \$" box and specify what the "Balance Owed" is.
- The "Balance Owed" can be manually altered as more Debt is incurred or a Lump Sum is paid off.
- The amount of the *Rate/Amount Attempted Each Pay* is taken from the *Reducing Balance* until the *balance reaches zero*, when it will *automatically stop deducting*.
- You are also able to protect a certain amount of net pay by ticking the "Protect Net Pay" box and entering an amount in the "Do not Deduct Below Net Pay of \$" box.
- You can also see the "Original Balance" by clicking F2 over the "Balanced owed is \$" amount box.
- The *Balance remaining* is the *difference* between the two amounts.
- You can also enter *Group Scheme Membership Details (Particulars/Code/Reference)*, if required
- If GST applies to *Allowances* and/or *Deductions*, the balance will be reduced by the GST exclusive value.
- Make sure you save the new *Deduction* as part of the Employee's *Standard Pay* by clicking the "Save Input as Standard Pay" button on the *Pay Input* screen once the *Deduction* has been saved here (click on OK).

Reporting on Allowances and Deductions

- A listing of *Group Schemes and members (Allowance/Deduction Codes and Employees that have used those Codes)* can be accessed through *Reports...Employee Reports...Allowance and Deduction History*.



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