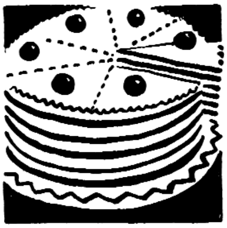

2

Understanding wages, allowances and awards

This chapter is all about the wages that you pay your employees. For some businesses, paying wages is a simple proposition: you discuss with the employee their relevant hourly rate, multiply that rate by the number of hours worked each week to come up with their weekly pay rate and you're done. However, as your business grows, paying wages is bound to get more complex as you encounter things like employee allowances, vehicle reimbursements, bonuses, back pay, and much more.

Underpinning any agreement with your employee is the award under which they are employed (with the exception of some salaried employees working in managerial positions, who aren't employed under an award). Before agreeing with an employee about their base hourly rate, shift loadings or penalty rates, take time to research how your proposals fit with the legal minimum.

Golden rule

Before agreeing on rates and working hours, read the federal or state award(s) that apply to the employees in your workplace.

This chapter talks about how to research awards and keep up to date with pay rates and conditions. This chapter also explains how to set up standard pays for each employee using MYOB software, so that the details of all employee pays come up automatically. Setting up standard pays works like most things to do with computers — the more time you spend at the beginning getting things right, the less time you'll spend fiddling later on.

Figuring out your base line

As mentioned in the intro to this chapter, if you're new to the whole game of being an employer, then you'll find that setting up an employee in MYOB software is only half the picture. Not only do you need to understand how to pay your employees, you need to understand *how much* to pay your employees. The next few questions cover researching wage rates and working conditions, and explain awards, Australian Workplace Agreements and how to keep up to date with current wage rates.

2.1 What are awards and how do they work?

Whenever you employ someone, you need to make sure that you're complying with the relevant industrial award. At its simplest, an award is a legal document that contains minimum wage rates and employment conditions for your employees, including details regarding allowances, penalty rates, hours of work and leave provisions.

In the ACT, NT and Victoria, federal awards apply. In NSW, Queensland, South Australia, Tasmania and Western Australia, employers and employees can be employed under either a federal or state award, sometimes both. If you're not sure which awards are relevant in your workplace, ask your accountant or industry association.

For all federal awards, contact the Department of Employment and Workplace Relations (DEWR) at **www.wagenet.gov.au** or the WageLine phone service at 1300 363 264. For all state awards, refer to the contact details in the following table. (Note that the ACT, Northern Territory and Victoria aren't listed in this table, as only federal awards apply in these states.)

State	*Name of Body*	*Phone*	*Web site*
NSW	Office of Industrial Relations	13 16 28	**www.industrialrelations.nsw.gov.au**
QLD	Department of Industrial Relations	1300 369 945	**www.wageline.qld.gov.au**
SA	Employment Relations Centre	1300 365 255	**www.eric.sa.gov.au**
TAS	Workplace Standards Tasmania	1300 366 322	**www.wst.tas.gov.au**
WA	Department of Consumer & Employment Protection	1300 655 266	**www.docep.wa.au**

2.2 Can I pay over the award for some things and under for others?

No. You can't pay over the award for some things and under the award for others, even if the employee is agreeable. For example, it's not okay to skip paying someone their uniform allowance just because you pay them 50 cents an hour over the award — if there's ever a dispute, you'll almost certainly have to backpay the uniform allowance for the entire period the employee worked for you, and you won't get a refund on your 50 cents an hour, either. The only way you can negotiate different conditions from the award is by enterprise bargaining, commonly called a workplace agreement (although the terminology varies from state to state).

Enterprise bargaining is a great opportunity for small business to adapt awards to suit their employees. The idea is that you negotiate pay and conditions that vary from the award, for example trading increased hourly rates against less sick pay, or increased super against no holiday leave loading. Employees and employers work together to find a package that suits both parties — a true win-win situation.

For small business, the most common type of enterprise bargaining agreement is an Australian Workplace Agreement (AWA) where employees and employers work together to create a written agreement that they then lodge with the Office of Employment Advocate for approval.

On the web

For more information regarding Australian Workplace Agreements, call the Office of Employment Advocate on 1300 366 632 or visit www.oea.gov.au and ask for an information pack.

2.3 How can I keep up to date with wage rates?

One of the difficulties of being an employer is keeping in touch with changes in award wage rates. Awards change frequently — sometimes up to a couple of times per year — and sometimes without much prior warning. It can be a real hassle finding out that award wage rates have changed (maybe several weeks or even months!) earlier, because you then have to calculate back pay for the entire period during which your employees were underpaid.

Here are three ways to stay abreast of changes in employee awards:

- **Contact the relevant department in your state**. You can find contact details for federal and state awards in the table earlier in this chapter. Any of these departments can tell you the latest award rates either over the phone or via their Web site. However, the drawback is that you won't know when wage rates change. For example, you might check the award one Monday and be reassured that you're paying the right rates, but by the following Monday these rates could have gone up and you wouldn't know.

- **Subscribe to the award**. You can sometimes subscribe online for the relevant government department to notify you by email whenever award conditions or rates of pay change.

- **Join an employer or industry association**. Associations make it their business to keep right on top of any changes to employee wage rates and conditions, and even better, they usually express the impact of any changes in plain English, making it easy for you to understand.

Tip

If your business or organisation employs people under several different awards, you may be able to streamline your payroll by negotiating a single workplace agreement that covers all employees. See question 2.2 for more about workplace agreements.

Recording employee personal details and rates

When you click the **Payroll Details** tab of an employee's card, you're first shown their **Personal Details**. Most of the information in this section of their card is pretty self-explanatory, such as **Date of Birth**, **Gender** and **Start Date**. However, two of the settings – **Employment Basis** and **Employment Classification** – need more careful consideration.

2.4 What should I choose as the Employment Basis?

When you set up a new employee, you can choose between selecting either **Individual** or **Labour Hire** as the **Employment Basis** (you find this setting under the **Payroll Details** tab, in the employee's **Personal Details**).

For most employees, **Individual** is the correct choice. However, if you have subcontractors for whom you have to pay superannuation or deduct PAYG tax, or if you want to record subcontractor hours using the Time Billing command centre, then **Labour Hire** is the way to go. **Labour Hire** is also the correct setting for sales reps you work on a commission-only basis.

By the way, the main difference between **Labour Hire** and **Individual** is that only employees with **Individual** as their **Employment Basis** appear on your payment summaries.

2.5 What about the Employment Classification?

In the most recent versions of MYOB software, viewing each employee's **Personal Details** (found on the **Payroll Details** tab) shows a place where you can record an **Employment Classification** (see Figure 2-1).

As you're probably aware, you are legally obliged to show the relevant award classification on every employee's payslip (unless, of course, an employee doesn't work under an award). In order for this information to appear on your payslips, you have to complete this **Employment Classification** field.

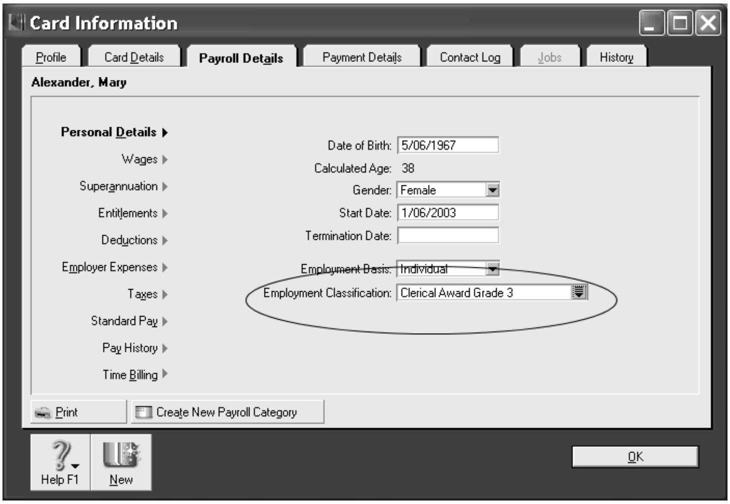

Figure 2-1 Make sure you complete the Employment Classification for all employees

Simply type in a description of the relevant award in each employee's card, for example 'Clerical Award Grade 3'. Hit the Tab key and if prompted, click **Easy-Add** to add the classification to the list. To view all your employment classifications, go to your **Lists** menu and select **Employment Classifications**. (To get rid of classifications irrelevant to your business, go up to your **Edit** menu and select **Delete Classification**.)

2.6 Should I set up the Pay Basis as Hourly or Salary?

If you click the **Wages** side menu (found under the **Payroll Details** tab of each employee), you'll see that you can choose between selecting **Hourly** or **Salary** as the **Pay Basis**.

At first glance, the answer to this is obvious. If you employ someone on an hourly basis, you select **Hourly**. On the other hand, if an employee is on a fixed salary, then you select **Salary**. This is indeed the simplest approach and works fine in 99 percent of cases.

The only fly in the ointment is that you need to double-check how your entitlements are set up: if you prefer to set up your entitlements as a percentage rather than as a fixed number of hours per week, then you need to express all employee wages in terms of an hourly rate. Chapter 4 talks lots more about the different ways of setting up entitlements.

2.7 When I enter the annual salary, the weekly rate doesn't calculate correctly. Why not?

Some awards are quite pedantic about the fact that a year isn't actually made up of 52 weeks; rather, a year is made up of 52 weeks and one day for three years out of four, and 52 weeks and two days every leap year. This means that every seven years, you'll get 53 pay weeks in the year, rather than 52. The awards address this situation by saying that a year is made up of 52.14 weeks.

This is all very well, but when MYOB software calculates a weekly pay based on an annual salary, it simply divides the annual salary by 52. So, if you enter $52,000 as the salary for an employee, their weekly pay comes up as $1,000. However, if an award calculates their year as being 52.14 weeks, the weekly pay should be $997.31.

The workaround is simply to refer to the award for the weekly rate, then multiply the weekly rate by 52 and use this figure as the annual salary.

Setting up standard pays

The idea of standard pays is new to the latest versions of MYOB software. Similar to the old concept of 'recurring pays', the standard pay allows you to itemise the hours an employee works each week, what allowances they receive, whether they contribute additional superannuation and so on. These details then flow through to the Process Payroll window, ready to record each employee's pay automatically.

2.8 How do I review standard pays for each employee?

To review the standard pay for any employee, first make sure you record their **Pay Basis**, **Annual Salary** or **Hourly Rate**, **Pay Frequency** and **Hours in Weekly Pay Period** (all these settings appear in the **Wages** side menu under the **Payroll Details** tab of each employee's card). Next, click the **Standard Pay** side menu item and check the following:

If an employee receives additional payments, such as a tool or uniform allowance, or deductions such as additional superannuation or child support, then specify the correct amounts in their standard pay. To do this, simply enter the correct figure in the **Amount** column next to the relevant payroll category, as shown in Figure 2-2. (Remember to record deductions as minus amounts!)

Make sure that weekly working hours come up correctly for part-timers: go to the **Wages** section of their card and change the number of **Hours in Weekly Pay Period** as appropriate. Make sure the standard pay shows this number of hours as well.

For casuals whose hours vary every week, change the number of hours in the **Hours** column of their standard pay to zero hours. That way you won't accidentally pay a casual for hours they didn't work.

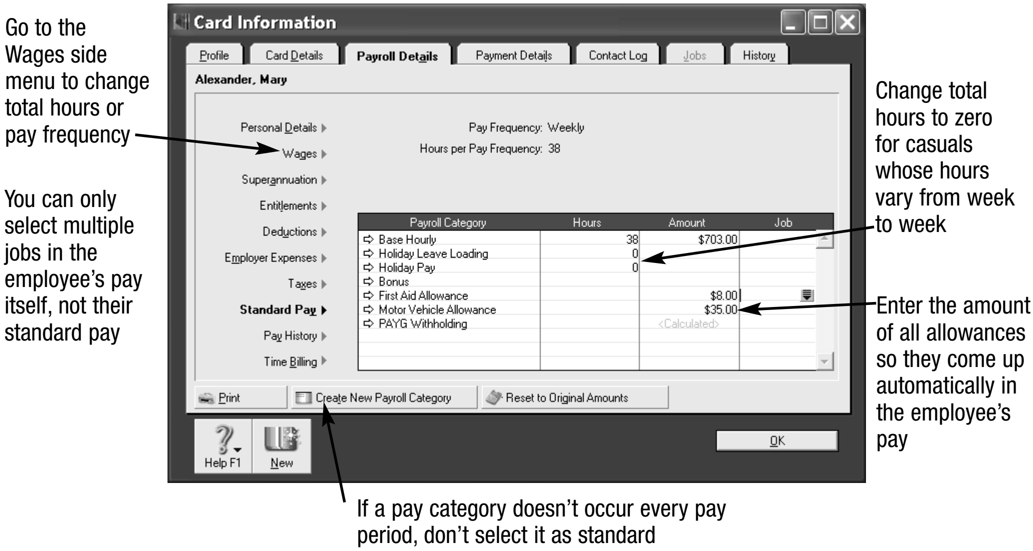

Figure 2-2 Review the standard pay setting for each employee

If a required payroll category doesn't show up in an employee's standard pay, then you need to mark off this category in the relevant section of their card. For example, if an employee receives a tool allowance but this isn't appearing on their standard pay, go to the **Wages** section of their card and click against the tool allowance category.

Tip

If you find yourself making the same change to an employee's pay every pay period (for example, changing the amount of an allowance or deduction), then you should change the standard pay for that employee. This miracle of efficiency means that next time, the pay for that employee will come up just right.

2.9 What if an employee's pay varies from week to week?

Even if an employee's pay varies from week to week (maybe they often work overtime), you can still set up their defaults in the **Standard Pay** section of their card, specifying things that do stay constant, such as additional superannuation contributions or regular allowances. With this complete, all you have to do is zoom in on the employee's pay from the **Select & Edit Employee's Pay** window and make any necessary changes (Chapter 3 talks lots more about the actual process of recording employee pays.)

For casuals whose hours vary every week, change the number of hours in the Hours column of their standard pay to zero hours. This ensures that you'll be prompted to record their actual number of hours worked every time you go to process payroll.

2.10 How can I check whether the net pay is going to come up correctly?

One of the not-so-perfect things about the way a standard pay shows up in an employee's card is that you can't see what the final net pay is going to be. For example, if you're setting up payroll from scratch and you want to check that MYOB software is going to calculate an employee's pay so that it comes out the same as what they have been receiving up until now, then viewing the employee's standard pay isn't going to be much help.

The answer is to go to **Process Payroll**, as if you're about to record a pay run (chapter 3 explains this process in much more detail). Proceed to **Select & Edit Employee's Pay** and check out the **Net Pay** column for each employee. To view the details of how MYOB software arrives at this net pay calculation, simply zoom in on the white arrow next to the employee's name. Once you've finished reviewing these pay calculations, you can just click **Close** to quit without recording anything.

Setting up wages categories

With MYOB software, every type of wages paid to your employees has to have its own payroll category. For example, if an employee receives a motor vehicle allowance, you need a wages category called Motor Vehicle Allowance. Similarly, if an employee receives holidays, you need a wages category called Holiday Pay.

Fortunately, MYOB software comes complete with a list that includes most standard payroll categories. All you have to do is customise this list to fit your business, deleting irrelevant categories and adding any extra categories specific to your business.

2.11 How do I create a new wages category?

The principle behind creating a new wages category is always the same, whether it be for long service leave or for a tool allowance. Mostly, it's a case of following your nose and using your common sense.

To create a new wages category, click the **Wages** tab in **Payroll Categories**, followed by the **New** button. Next, choose whether the new payroll category is **Salary** or **Hourly**: select **Salary** for allowances, commissions and other non-hourly amounts; or select **Hourly** for sick pay, holiday pay, reimbursements and overtime.

If a wages category is exempt from PAYG tax (such as a meal allowance or employee advance), click the **Exempt** button, and place a tick against PAYG Withholding.

Figure 2-3 Creating a new wages category

Tip

When working in your Payroll Categories list, it's a good idea to delete unused categories, because they only cause confusion and leave potential for error. To do this, double-click the category name, go up to Edit on the top menu bar and select Delete Category.

2.12 How do I create a new employee allowance?

Employee allowances take many different forms: motor vehicle allowance, tool allowance, uniform allowance and so on. Although the standard payroll category list that comes with MYOB software doesn't include any allowances, it's not difficult to add them.

To create a new allowance, click **Payroll Categories**, followed by the **Wages** tab and click **New**. As the **Wages Name**, enter a description such as 'Tool Allowance' and as the **Type of Wages**, select **Salary**. Click **Employee** to choose those employees who are eligible for this allowance.

Next, click the **Payroll Details** tab for each employee who receives this allowance and click **Standard Pay**. Complete the **Amount** column next to the allowance category and click **OK**. (By using standard pays in this fashion, you can create a single allowance category such as 'tool allowance' but pay different employees at different rates for this allowance, depending on the award.)

2.13 How do I know whether tax is payable on an allowance?

The answer to this question, of course, is that you should ask your accountant or phone the Tax Office. However, tucked away at **www.ato.gov.au** is a delightful document called *PAYG bulletin no. 1 — Taxing of allowances*. While this document provides the definitive reference, the list below summarises the proper tax treatment of most common employee allowances.

Deduct PAYG for the following kinds of allowances . . .

✔ Allowances paid for working conditions, such as first aid allowance, shift allowance or danger allowance.

✔ Allowances paid for things that aren't tax-deductible, such as non-deductible travel between work and home, or meal allowances that are over and above the award.

✔ Allowances paid for things that are expected to be tax-deductible, such as tool, uniform or dry-cleaning allowances.

✔ Allowances paid for cents-per-kilometre vehicle use (at rates prescribed by the Tax Office), in excess of 5,000 km per year.

But don't deduct PAYG for these kinds of allowances . . .

✖ Allowances paid for cents-per-kilometre vehicle use (at rates prescribed by the Tax Office), *up to* 5,000 km per year.

✖ Allowances paid for laundry (not dry-cleaning), up to the allowable threshold amount (currently $150).

✖ Allowances paid for overtime meal allowances, up to the reasonable allowances amount as specified in ATO annual rulings.

2.14 What about employee reimbursements such as mileage or travel expenses?

In order to record employee reimbursements using payroll, you first need to set up a separate payroll category for each kind of reimbursement:

1. Go to **Payroll Categories**, select the **Wages** tab and click **New**.

2. As the **Wages Name** enter a description such as 'Travel Reimbursement'. If the reimbursement amount varies from pay period to pay period, select **Salary** as the **Type of Wages**; if the reimbursement is a regular amount (such as an agreed rate per km for motor vehicle), select **Hourly**.

3. Click **Employee** to select those employees who are eligible for this reimbursement.

4 If this reimbursement is exempt from PAYG tax (check with your accountant or refer to question 2.13 if you're not sure), click **Exempt** and click against **PAYG Withholding**.

5 Go to the **Superannuation** tab in your payroll category list and mark this reimbursement category as being exempt from the superannuation guarantee charge. See question 5.8 for more details on how to do this.

With this setup complete, recording reimbursements is a piece of cake. Go to process the employee's pay as normal, but zoom in to edit their pay in the **Select & Edit Employee's Pay** window. Enter the amount of the reimbursement in the appropriate spot and click **Record**.

2.15 How do I get employee reimbursements to show up separately in financial reports?

It's a good idea to set up reimbursements so that they appear separately from wages on your Profit & Loss report. Here's how:

1 Go to your **Accounts List** and create a new expense account for the reimbursement, such as 'Motor Vehicle Reimbursement' or 'Staff Field Expenses'.

2 Go to **Payroll Categories** and double-click the reimbursement category.

3 Click the **Optional Account** button. In the **Override Account** field, enter the account number that you created in Step 1.

4 Click **OK**.

That's all there is to it. From now on, whenever you record a pay transaction that includes this reimbursement, the value of the reimbursement will show up separately in your Profit & Loss report. Try it and see!

2.16 How do I claim back the GST on employee reimbursements?

This question arises when you reimburse an employee for out-of-pocket expenses and you want to claim back the GST on the expense. Although there's no place to record GST on an employee's pay, you can still claim GST by using a clearing account.

First, go to your **Payroll Categories** list, click the **Wages** tab and click **New**. As the Wages Name, type 'Reimbursements inc GST'. Click the **Optional Account** button and as the **Override Account**, select your Petty Cash account (this should be an asset account, with **Bank** as the **Account Type**). Click **Employee** to mark off all employees who receive reimbursements and click **Exempt** to make this reimbursement category exempt from PAYG tax.

Now process the employee's pay, entering the amount of their reimbursement against the 'Reimbursement inc GST' wages category. Immediately after recording their pay, head to **Spend Money** and record the reimbursement as if you were paying for the expense yourself, selecting **GST** as the tax code if appropriate. However, remember to select **Petty Cash** as the bank account in the top left corner.

That's all there is to it. The employee's pay shows the reimbursement at the correct amount; the expense shows up in your Profit & Loss correctly; the GST shows up on your Business Activity Statement and the two entries in your Petty Cash account cancel each other out.

2.17 What if an employee works at different rates, depending on their duties?

Sometimes you'll have an employee who works some hours at one hourly rate and other hours at a different hourly rate, depending on their duties. Although each employee's card only has one spot where you can record their hourly rate, you can get around this by creating a new wages category for each additional hourly rate that you require.

For example, imagine an employee who sometimes works as a waitress earning $18 per hour, sometimes as a receptionist earning $20 per hour and occasionally as a night auditor at $25 per hour. You would set her **Hourly Base Pay** at $18 per hour, but then you would create two new wages categories: one called Base Hourly – Reception with a **Fixed Hourly Rate** of $20, and another called Base Hourly – Night Auditor with a **Fixed Hourly Rate** of $25.

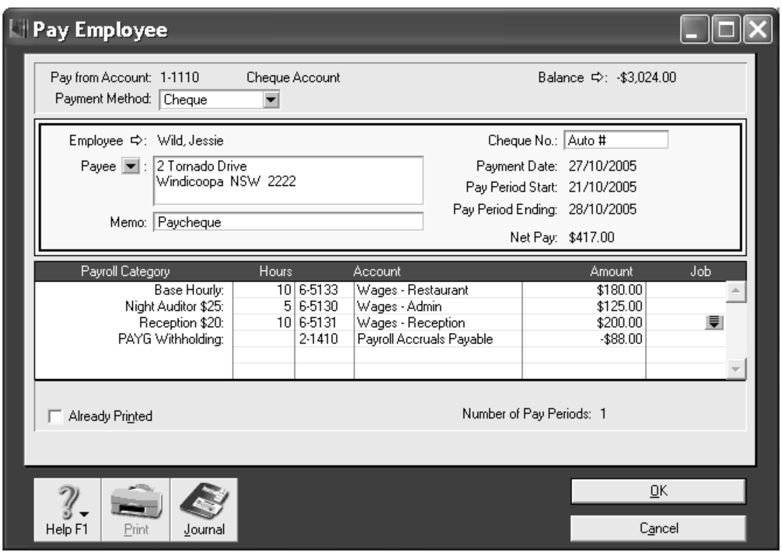

Figure 2-4 If an employee earns different rates for different tasks, create additional wage categories

With these categories in place, and selected in the **Wages** section of the employee's card, you could then process the employee's pay recording the number of hours working at each different task, as show in Figure 2-4.

Setting up overtime and loadings

If you're going to be paying overtime and shift loadings, you need to become familiar with the relevant employee award. In particular, look to see whether overtime loadings are calculated on the normal casual hourly rate or on the base hourly rate that part-timers receive. Also, take care when paying shift loadings: the amount due often varies according to the number of hours worked; the day of the week and the age of the employee.

2.18 How do I set up overtime loadings?

If you pay employees overtime (for example, paying time-and-a-half or double-time) then you need to have separate wages categories for each kind of loading.

Go to **Payroll Categories**, click the **Wages** tab and see what's there. (MYOB software usually comes with **Overtime (1.5x)** and **Overtime (2x)** as default categories.) If you need to create a new category, click **New**. Enter a suitable description as the **Wages Name** and select **Hourly** as the **Type of Wages**. In the **Regular Rate Multiplied By** field, specify what kind of overtime this is.

For example, to create a new wages category for double-time and a half, you would create a category called 'Overtime (2.5x)' and you would enter **2.5** in the **Regular Rate Multiplied By** field.

Classic mistake

If you employ casuals, be careful with overtime loadings. In many awards, double-time is not double the casual rate, but is double the base hourly rate, plus the regular holiday loading.

2.19 How can I show casual holiday loadings as a separate amount?

Some awards stipulate that payslips should show casual hourly rates and casual holiday loadings as separate amounts. In these situations, you create a holiday loading category that is one-twelfth of the base hourly rate.

For example, if the base rate for permanent staff is \$24 an hour, a casual would earn \$26 an hour (that is, \$24 plus one-twelfth). If the casual earns time and a half, their rate would be \$24 multiplied by 1.5 plus the \$2 holiday loading, equalling \$38 per hour. (Their rate *would not* be \$26 multiplied by 1.5, which would be \$39 per hour.)

University mathematics aside, here's how you get everything to work out using MYOB software:

1 Enter the casual hourly rate as the **Hourly** rate in **Employee Payroll Information** for each employee.

2 Create a new wages category called **Holiday Loading**. Select **Hourly** for **Type of Wages** and enter 0.0833 in the **Regular Rate Multiplied by** field (1 divided by 12 equals 0.0833).

3 Click **Employee** and select all casual employees as being eligible for this category.

Now, to get this loading to show up on every pay:

1 Complete the casual's pay in the same way you normally would. Once all details are complete, total the number of hours worked.

2 Pay this number of hours in holiday loading, showing it as a separate line in the pay.

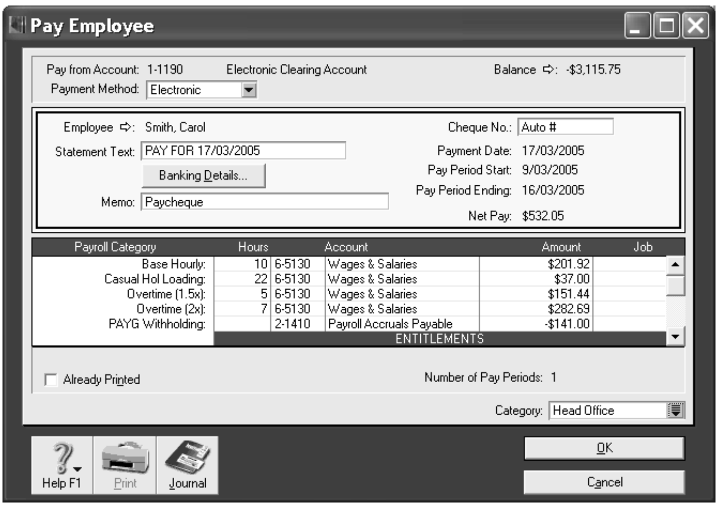

Figure 2-5 Entering casual holiday loadings for an employee

In Figure 2-5, the casual has worked 10 hours ordinary time, five hours at time and a half, and seven hours at double-time: a total of 22 hours. Note that the second line of the pay, which is holiday loading, is 22 hours at the loading rate. Holiday loading is not affected by whether or not the hour worked was at ordinary or overtime rates.

2.20 How do I set up shift loadings?

Here's a step-by-step guide to setting up shift loadings:

1 Go to **Payroll Categories** and click the **Wages** tab.

2 Click **New** to create a new wages category for each shift loading, typing 'Saturday Loading', 'Sunday Loading' and so on as the **Wages Name**.

3 If the loading is the same dollar value for all employees, select **Hourly** as the **Type of Wages** and enter the amount of the loading as the **Fixed Hourly Rate**.

4 If the loading varies depending on the age and grade of each employee, select **Salary** as the **Type of Wages**.

5 Click **Employee** to select those employees that receive this shift loading.

6 Go to the **Standard Pay** for each employee (found on the **Payroll Details** tab of their card).

7 If you set up shift loadings to be **Hourly**, then simply record '1' in the **Hours** column (or '2' if you pay fortnightly).

8 If you set up shift loadings to be **Salary**, then enter the correct amount in the **Amount** field.

With this setup complete, you should find that shift loadings come up automatically when you go to process your employee pays.

Advanced tip

In almost all awards, shift loadings are considered part of ordinary time earnings and are subject to superannuation. Overtime, however, is not.

Paying advances, bonuses and commissions

The next few pages deal with employee advances, bonuses and commissions and at times, the explanations get pretty detailed and technical. Be comforted by the fact that most of these things are like riding a bike: once you've managed them once, you'll never forget how.

2.21 How do I deal with employee advances?

In many ways, the best way to deal with employee advances is to say, 'Nope, you can't have one!' They're such a headache and generally more trouble than they're worth. But if this sounds too hard-hearted, then the second best way is to give your employee cash from your petty cash tin and stick an old-fashioned I.O.U. in the box. That way, you don't have to worry about the advance affecting tax, super, payment summaries or anything else.

Having said all this, if you end up giving an employee a large advance and they intend to pay it back over a few pays, it makes sense to track the advance using

MYOB software. This way, no-one can argue about who owes what, and the outstanding balance of the advance shows up on every payslip.

Here's what you have to do:

1 Go to your **Accounts List** and create a new asset called **Employee Advances**.

2 Go to **Payroll Categories**, click the **Wages** tab, and click **New** to create a new category called Advance (or click **Edit** if a category by this name already exists). As the **Type of Wages** select **Salary** and click **Optional Account**. Next to **Override Account** select your new Employee Advances account.

3 Still in the Advance payroll category, click **Employee**, select the employee(s) who will receive this advance and click **OK**. Then, click **Exempt** and then **All** to mark this wages category as exempt from all taxes and deductions and click **OK**. Click **OK** once more to return to your payroll category list.

4 Now click the **Deductions** tab and then **New** to create a new category called Advance Repayment (or **Edit** if a category by this name already exists). As the **Linked Payable Account** select your Employee Advances account and as the **Type of Deduction** select **User-Entered Amount Per Pay Period**.

5 As you did just above, click **Employee** to select the employee(s) who will repay this advance. Then click **Exempt** followed by **All** to mark this deduction category as exempt from taxes. Click **OK** once more to return to your payroll category list.

6 Go to the **Superannuation** tab in **Payroll Categories** and double-click the superannuation guarantee category that applies to this employee. Click the **Exempt** button and ensure that the wages category called Advance is marked as exempt (this means that you won't pay 9 percent superannuation on employee advances, which is just how you want it to be!)

Now, when you go to process the next pay for this employee, both Advance and Advance Repayment show should up as categories. To pay the advance, enter the amount as a positive figure next to the Advance category. To deduct an advance repayment, enter the amount as a negative figure next to the Advance Repayment category. Neither the payment of the advance nor its repayment should affect tax or superannuation, so double-check that this is indeed the case.

Advanced tip

To double-check how much an employee still owes, go to Find Transactions, select your Employee Advances account, along with a suitable date range. The Ending Balance of this account indicates the closing balance of all employee advances combined.

2.22 What happens with bonuses?

Bonuses are a bit time-consuming to record, especially the first time. But here's what to do:

1 **Create a new wages category called 'Bonus'**.

Click **Payroll Categories**, followed by the **Wages** tab and click **New**. As the **Wages Name**, enter a description such as Bonus and as the **Type of Wages** select **Salary**.

2 **Select all employees who are eligible for this bonus.**

In the Bonus payroll category, click the **Employee** button to mark off all eligible employees. Click **OK** to return to your payroll category list.

3 **Consider whether superannuation applies to this bonus.**

If this bonus is exempt from superannuation, (and you'll find that most bonuses usually are), click the **Expenses** tab. Highlight your superannuation category and click **Edit**. Then click **Exempt** and mark your new bonus category as being exempt from super.

4 **Select** Bonus/Commission **as the pay period when processing pays.**

When you go to **Process Payroll**, in the first Select Pay Period window, select **Bonus/Commission** rather then weekly, fortnightly or monthly.

5 **Edit the Bonus amount on each employee's pay.**

When you arrive at the **Select & Edit Employee's Pay** window, zoom in on each employee's pay, one by one. You'll see **Bonus** listed as a category on each pay; simply enter the bonus in the **Amount** column.

6 **Adjust PAYG tax manually.**

See question 7.9 for more about how to calculate PAYG tax on bonuses.

2.23 Can MYOB software calculate commissions?

Commissions and how they are calculated vary enormously from business to business. Your best approach is usually to a salesperson report in MYOB software that provides information in a format close to what you're looking for, and from there send the report to Excel to make your commission calculations. Here are some tips:

- In the **Sales** menu, find the report that is closest to the one you're looking for. Don't hesitate to click the **Design** button and experiment with the different types of information you can display.
- Set up commission rates in the **Custom Lists** of each salesperson's card (under the **Card Details** tab). Remember to display this custom field when generating reports.

- When the report looks close, click the **Send To** button and send the report to Excel. From there, you should be able to make minor adjustments to create the report you're looking for.
- If you want to automate the process of customising this report in Excel, you should be able to create additional worksheets that link to the worksheet that MYOB software creates automatically every time.

Alternatively, if you find yourself doing significant hours of calculations by hand, or in additional spreadsheets, consider contacting an MYOB Certified Consultant that specialises in custom reporting. (Only a few consultants have this specialisation, so do be specific when phoning around.) You can get a listing of Certified Consultants from **www.myob.com.au/support/ccmembers**.

2.24 How do I record comission payments?

Unless your accountant specifically advises you otherwise, always record commission payments as employee pays. If you record commission using the **Spend Money** or **Enter Purchases** commands, MYOB software can't calculate PAYG tax or superannuation.

You record salesperson commissions in exactly the same way as you record employee bonuses (see question 2.22 for more details). However, although superannuation is not usually payable on one-off bonuses, it's almost always payable on commissions — double-check carefully with your accountant.

For details regarding calculating PAYG tax on commissions, see chapter 7.

Dealing with pay rises and back pay

If you know that there's been a pay rise and you have to update the pay rates for several employees, allow yourself enough time to get everything right. You'll have to fix up pay rates in each employee's card, double-check their pay, make sure everything comes up right when you to go to process payroll and last (if you've been late in implementing the pay rise), calculate back pay. The last couple of pages in this chapter explain how to do all these things, and more.

2.25 How do I change an employee's pay rate?

When wages increase, all you have to do is go to **Wages**, found under the **Payroll Details** tab on each employee's card, and edit either their **Annual Salary** or their **Hourly Rate**.

If you employ juniors under 21 years of age, make sure you don't forget annual wage increases. Go to the **Contact Log** in each employee's card and create a **New Log Entry** with the employee's next birthday as the **Recontact Date**. This log will then come up under the **Contact Alert** tab of your **To Do List** when their birthday comes around. To make sure you don't forget to look in your **To**

Do List, go to your **Preferences** menu, click the **Windows** tab and select the option **Display To Do List When Starting MYOB Software**.

Classic mistake

When you change the rate on a employee's card, you get a message saying that this change will impact the standard pay for this employee. That's okay, but do go to the Standard Pay information for that employee and check that all their other details are still correct. Sometimes, changing the pay rate in the Wages section of an employee's card means that things like shift loadings and deductions in the Standard Pay section reset themselves to zero.

2.26 Can I change all employee's rates in one hit?

Nope. There's no quick way to change all of your employees' rates in one hit. Instead, you have to zoom in on each employee's card, one at a time, and edit both their hourly base rate or annual salary, as well as their standard pay.

2.27 How do I record back pay?

Back pay can be tricky to calculate. An employee points out (or maybe you realise yourself) that the award rate increased several weeks or even months ago. You've got to look up how many hours each employee worked between then and now and figure out how much each employee was shortpaid. Here's how it goes:

1 **Generate a report showing total hours worked at the wrong rate.**

To see how many hours you paid each employee at the wrong rate, go to your **Reports** menu, click the **Payroll** tab and double-click the **Employees Register [Detail]** report. Select your date range carefully (if some of the back pay period relates to the last payroll year, you'll need to restore your end-of-year payroll also.) This report shows the total number of hours worked for each pay category for each employee.

2 **Send the report to Excel and make your calculations.**

You're best to view this report as a spreadsheet: display the report, click the **Send To** button, followed by **Excel**. Using a spreadsheet means you can set up formulae to calculate the back pay automatically and better still, you've got an accurate and formal record of your back pay calculations.

3 **Set up a new wages category for back pay.**

Go to **Payroll Categories** and click the **Wages** tab. Click **New** to create a new wages category, call this category **Back Pay**, and as the **Type of Wages** choose **Hourly**. You can either leave the **Pay Rate** as it is (**Regular Rate Multipled by 1.00**) or you can enter it as a **Fixed Hourly Rate** of however much the pay was short per hour. Click **Employee** and mark off every employee who is eligible for back pay.

4 **Process pays for each employee.**

Go to **Process Payroll**. When you arrive at the **Select & Edit Employee's Pay** window, zoom in on each employee's pay and record the back pay. Make sure that the back pay doesn't affect the number of hours that accrue for leave entitlements, and manually adjust the PAYG tax and superannuation as necessary. For details on how to calculate the right amount of tax, refer to the ATO document *How to withhold from back payments*.

On the CD

You can find an ATO publication that summarises how to withhold tax from back payments on the CD that's included in the back of this book.