

Recording NPS (National Pension System) Process in Tally ERP 9

What is NPS?

The National Pension System (NPS) is a retirement savings scheme sponsored by the Government of India. Employers contribute a specified amount to the NPS account of employees. This contribution needs to be accurately recorded in the company's accounting system, such as Tally ERP 9.

Steps to Record NPS in Tally ERP 9

Step 1: Enable Payroll in Tally ERP 9

1. Go to Gateway of Tally.
2. Press F11: Features.
3. Press F1: Accounting Features.
4. Set Maintain Payroll to Yes.
5. Accept the screen.

Step 2: Create Pay Head for Employer's NPS Contribution

1. Go to Gateway of Tally > Payroll Info. > Pay Heads > Create.
2. Name: Employer's NPS Contribution.
3. Pay Head Type: Employer's Statutory Contribution.
4. Under: Current Liabilities.
5. Affects Gross Salary: No.
6. Type of Calculation: As Computed Value.
7. Calculation Period: Months.
8. Compute on: User Defined Value.
9. Calculation Type: On Current Earnings.
10. Effective Date: Provide the effective date.
11. NPS Rate: Enter the applicable rate or the amount.
12. Rounding Method: Normal Rounding.
13. Accept the screen.

Step 3: Create Employee Master

1. Go to Gateway of Tally > Payroll Info. > Employees > Create.
2. Name: Employee Name (e.g., John Doe).
3. Under: Employee Group (e.g., Sales Department).
4. Designation: Sales Executive.
5. Date of Joining: Provide the joining date.
6. NPS Account Number: Provide the NPS account number.
7. Accept the screen.

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**Step 4: Define Salary Details**

1. Go to Gateway of Tally > Payroll Info. > Salary Details > Create.
2. Select Employee: John Doe.
3. Define Pay Heads: Basic Salary, Employer's NPS Contribution, etc.
4. Enter the amount/details.
5. Accept the screen.

**Step 5: Process Payroll**

1. Go to Gateway of Tally > Payroll Vouchers.
2. Select F2: Date and enter the payroll processing date.
3. Press Alt + A for Auto Fill > Select Salary > Provide the required details.
4. The payroll will automatically compute the Employer's NPS Contribution based on the defined rates.
5. Accept the screen.

**Step 6: Record NPS Payment**

1. Go to Gateway of Tally > Accounts Info. > Ledgers > Create.
2. Name: NPS Contribution.
3. Under: Current Liabilities.
4. Accept the screen.

**Step 7: Record NPS Payments**

1. Go to Gateway of Tally > Accounting Vouchers > F5: Payment.
2. Select the Bank/Cash Ledger (e.g., Bank of India).
3. Date: Provide the payment date.
4. Debit: NPS Contribution (amount will auto-fill based on payroll).
5. Credit: Bank/Cash Ledger.
6. Enter the details of the NPS payment reference (e.g., NPS Challan number).
7. Accept the screen.

**Employer's NPS Contributions**

To understand how to process Employer's NPS Contributions with these Calculation Types, let us consider three scenarios.

1. With the Calculation Type - As Computed Value
2. With the Calculation Type - User Defined Value
3. With the Calculation Type - Flat Rate

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**Scenario 1: Calculation Type - As Computed Value  
Step-by-Step Process:**

**1. Create Pay Head for Employer's NPS Contribution:**

- Go to Gateway of Tally > Payroll Info. > Pay Heads > Create.
- Name: Employer's NPS Contribution.
- Pay Head Type: Employer's Statutory Contribution.
- Under: Current Liabilities.
- Affects Gross Salary: No.
- Type of Calculation: As Computed Value.
- Calculation Period: Months.
- Compute on: User Defined Value.
- Calculation Type: On Current Earnings.
- Effective Date: Provide the effective date.
- NPS Rate: Enter the applicable rate (e.g., 10%).
- Rounding Method: Normal Rounding.
- Accept the screen.

**Payroll Auto Fill**

Process for	: NPS Contribution
From (blank for beginning)	: 1-4-2013
To (blank for end)	: 30-4-2013
Employee Category	: Primary Cost Category
Employee/Group	: All Items
Payroll Ledger	: NPS Payable

**2. Example:**

- Basic Salary: Rs. 50,000
- NPS Rate: 10%

**3. Payroll Processing:**

- Employer's NPS Contribution = Rs. 50,000 \* 10% = Rs. 5,000

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Payroll Voucher Creation		ABC Company	Ctrl + M
<b>Payroll</b>	No. 5		30-Apr-2013 Tuesday
<b>Payroll autofill (NPS contribution)</b>			
Account : NPS Payable			
Cur Bal: 0.00 Cr			
Particulars			Amount
<b>Primary Cost Category</b>			<b>10,377.00 Cr</b>
Employee A			2,500.00 Dr
Employer NPS @ 10%	2,500.00 Dr	Cur Bal: 2,500.00 Dr	
Employee B			967.00 Dr
Employer NPS @ 10%	967.00 Dr	Cur Bal: 967.00 Dr	
Employee C			2,610.00 Dr
Employer NPS @ 10%	2,610.00 Dr	Cur Bal: 2,610.00 Dr	
Employee D			2,800.00 Dr
Employer NPS @ 10%	2,800.00 Dr	Cur Bal: 2,800.00 Dr	
Employee Q			1,500.00 Dr
Employer NPS @ 10%	1,500.00 Dr	Cur Bal: 1,500.00 Dr	
Narration:			
Pay Period : 1-Apr-2013 to 30-Apr-2013			10,377.00 Cr
			Accept ?
			Yes or No

**Scenario 2: Calculation Type - User Defined Value  
Step-by-Step Process:**

**1. Create Pay Head for Employer's NPS Contribution:**

- o Go to Gateway of Tally > Payroll Info. > Pay Heads > Create.
- o Name: Employer's NPS Contribution.
- o Pay Head Type: Employer's Statutory Contribution.
- o Under: Current Liabilities.
- o Affects Gross Salary: No.
- o Type of Calculation: User Defined Value.
- o Calculation Period: Months.
- o Effective Date: Provide the effective date.
- o Rounding Method: Normal Rounding.
- o Accept the screen.

**2. Example:**

- o Basic Salary: Rs. 50,000
- o NPS Rate: 10%



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**3. Payroll Processing:**

- During payroll processing, you will manually enter the NPS Contribution amount as Rs. 5,000 (10% of Rs. 50,000).

Payroll Voucher Creation		ABC Company	Ctrl + M
Payroll No. 38			31-Mar-2011 Thursday
Payroll autofill (NPS contribution)			
Account: NPS Payable			
Cur Bal: 0.00 Cr			
Particulars		Amount	
Primary Cost Category			4,700.00 Dr
Employee A		3,200.00 Dr	
Employee NPS @ 10%	3,200.00 Dr Cur Bal: 3,200.00 Dr		
Employee B		1,500.00 Dr	
Employer NPS @ 10%	1,500.00 Dr Cur Bal: 1,500.00 Dr		
Narration:			4,700.00 Cr
Pay Period : 1-Apr-2013 to 30-Apr-2013			

**Scenario 3: Calculation Type - Flat Rate**

**Step-by-Step Process:**

**1. Create Pay Head for Employer's NPS Contribution:**

- Go to Gateway of Tally > Payroll Info. > Pay Heads > Create.
- Name: Employer's NPS Contribution.
- Pay Head Type: Employer's Statutory Contribution.
- Under: Current Liabilities.
- Affects Gross Salary: No.
- Type of Calculation: Flat Rate.
- Calculation Period: Months.
- Effective Date: Provide the effective date.
- Rate: Enter the flat amount to be contributed each period.
- Rounding Method: Normal Rounding.
- Accept the screen.





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Salary Details: Alteration							ABC Company	Ctrl + M
Name : Employee B								
Under : Accounts ( Primary)								
Salary Details								
Effective From	Pay Head	Rate	Per	Pay Head Type	Calculation Type	Computed On		
1-Apr-2013	Copy From Parent Value							
	Basic Pay	10,000.00	Months	Earnings for Employees	On Attendance	Basic Pay		
	House Rent Allowance			Earnings for Employees	As Computed Value			
	Conveyance	800.00	Months	Earnings for Employees	Fiat Rate			
	Bonus			Earnings for Employees	As User Defined Value			
	Canteen Deduction			Deductions From Employees	As User Defined Value			
	Overtime	110.00	Hrs	Earnings for Employees	On Production			
	Professional Tax			Employees' Statutory Deductions	As Computed Value	On Current Earnings Total		
	Reimbursement			Reimbursements to Employees	As User Defined Value			
	Variable Pay			Earnings for Employees	As User Defined Value			
	Gratuity			Gratuity				
	Salary Advance Deduction			Loans and Advances	As User Defined Value			
	Employees' EPF Deduction @ 12%			Employees' Statutory Deductions	As Computed Value	Basic Pay		
	Employees' ESI Deduction @ 1.75%			Employees' Statutory Deductions	As Computed Value	Basic Pay + House Rent Allowance + Conveyance + Overtime		
	Employees' NPS Deduction @ 10% - Tier I			Employees' Statutory Deductions	As Computed Value	Basic Pay		
	Income Tax			Employees' Statutory Deductions	As Per Income Tax Slab			
	Employer EPS @ 8.33%			Employer's Statutory Contributions	As Computed Value	Basic Pay		
	Employer's EPF @ 3.67%			Employer's Statutory Contributions	As Computed Value	Employees EPF Deduction @ 12% - Employer EPS @ 8.33%		
	Employer ESI @ 4.75%			Employer's Statutory Contributions	As Computed Value	Basic Pay + House Rent Allowance + Conveyance + Overtime		
	Employer NPS @ 10%	1,700.00	Months	Employer's Statutory Contributions	Fiat Rate			

Accept ?  
Yes or No

