

Introduction to Payroll in Tally ERP 9

The Payroll management in Tally ERP 9 can streamline their payroll processes, ensure compliance with statutory requirements, and maintain accurate records of employee earnings and deductions. This helps in reducing administrative workload, minimizing errors, and providing employees with timely and accurate salary payments.

What are Pay Heads?

Pay Heads in Tally.ERP 9 are components of an employee's salary structure. They define how different elements of the salary, such as earnings and deductions, are calculated and processed. Each pay head represents a specific type of salary component, whether it's a form of earning (like basic salary, HRA, or overtime) or a deduction (like provident fund, professional tax, or loan repayment).

A Pay Head Type is categorized as Earnings, Deductions or Reimbursements.

Default Pay Head Types

The default pay head types in Tally.ERP 9 are:

- **Earnings for Employees**
 - Attendance based Earnings Pay Head
 - Computation based Earnings Pay Head
 - Flat Rate based Earnings Pay Head
 - Production based Earnings Pay Head
 - User Defined Earnings Pay Head
- **Deductions from Employees**
 - Canteen Deduction Pay Head
 - Loans and Advances Pay Head
- **Employees' Statutory Deductions**
 - PF Deduction Pay Head
 - ESI Deduction Pay Head
 - Professional Tax Deduction Pay Head
 - NPS Deduction Pay Head
 - Income Tax Deduction Pay Head
- **Employer's Statutory Contributions**
 - EPS Contribution Pay Head
 - EPF Contribution Pay Head

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- o ESI Contribution Pay Head
- o NPS Contribution Pay Head

Create Pay Head for Salary

1. Basic Salary:-

In Tally ERP 9, Basic Salary is classified as a Pay Head. It is the core component of an employee's salary structure and serves as the fixed amount paid before any extras (like HRA or DA) are added or deductions (like PF or Income Tax) are taken out.

How to Create the Basic Salary Pay Head?

Go to Gateway of Tally > Payroll Info. > Pay Heads > Create and use the following standard configuration:

- Name Basic Salary (or Basic Pay)
- Pay Head Type Earnings for Employees
- Income Type Fixed
- Under Indirect Expenses
- Affect Net Salary Yes
- Name to appear in Payslip Basic Salary
- Use for Gratuity Yes
- Calculation Type On Attendance
- Attendance/Leave with Pay Present (or Not Applicable if using "Leave without Pay")
- Calculation Period Months
- Per Day Calculation Basis As per Calendar Period (or User Defined)

Pay Head Display		Priya	Total Opening Balance																								
Name : Basic Salary																											
<table border="1"> <thead> <tr> <th colspan="2">Pay Head Information</th> </tr> </thead> <tbody> <tr> <td>Pay head type</td> <td>: Earnings for Employees</td> </tr> <tr> <td>Income type</td> <td>: Fixed</td> </tr> <tr> <td>Under</td> <td>: Indirect Expenses</td> </tr> <tr> <td>Affect net salary</td> <td>? Yes</td> </tr> <tr> <td>Name to be displayed in payslip</td> <td>? Basic Salary</td> </tr> <tr> <td>Use for calculation of gratuity</td> <td>? Yes</td> </tr> <tr> <td>Set / Alter Income Tax Details</td> <td>? No</td> </tr> <tr> <td>Calculation type</td> <td>: On Attendance</td> </tr> <tr> <td>Attendance/leave with pay</td> <td>: Present</td> </tr> <tr> <td>Calculation period</td> <td>: Months</td> </tr> <tr> <td>Basis of calculation (per day)</td> <td>: As per Calendar Period</td> </tr> </tbody> </table>				Pay Head Information		Pay head type	: Earnings for Employees	Income type	: Fixed	Under	: Indirect Expenses	Affect net salary	? Yes	Name to be displayed in payslip	? Basic Salary	Use for calculation of gratuity	? Yes	Set / Alter Income Tax Details	? No	Calculation type	: On Attendance	Attendance/leave with pay	: Present	Calculation period	: Months	Basis of calculation (per day)	: As per Calendar Period
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Q: Quit	A: Accept	D: Delete																									

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3. Dearness Allowance:

In Tally.ERP 9, Dearness Allowance (DA) is a cost-of-living adjustment allowance paid to employees to mitigate the impact of inflation. Like HRA, it is an Earnings Pay Head and is almost always calculated as a percentage of the Basic Salary.

How to Create the House Rent Allowance Pay Head ?

Go to Gateway of Tally > Payroll Info. > Pay Heads > Create and use the following standard configuration:

- Name Dearness Allowance or (DA)
- Pay Head Type Earnings for Employees
- Income Type Variable
- Under Indirect Expenses
- Affect Net Salary Yes
- Name to appear in Payslip Dearness Allowance
- Use for Gratuity Yes
- Calculation Type As Computed Value
- Attendance/Leave with Pay Present (or Not Applicable if using "Leave without Pay")
- Calculation Period Months
- Per Day Calculation Basis On Specified Formula (basic salary)

Pay Head Information		Computation Information			
Pay head type	: Earnings for Employees	Compute	: On Specified Formula		
Income type	: Variable	Specified formula	: Basic Salary		
Under	: Indirect Expenses	Effective From	Amount Greater Than	Amount Up To	Slab Type
Affect net salary	? Yes	1-Apr-2025			Percentage
Name to be displayed in payslip	: DA				5 %
Use for calculation of gratuity	? No				
Calculation type	: As Computed Value				
Calculation period	: Months				
Rounding Off Information					
Rounding Method	: + Not Applicable				
Opening Balance (on 1-Apr-2025) :					

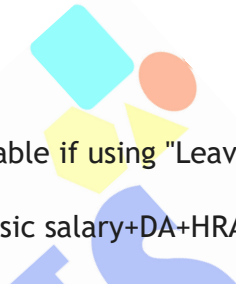
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4. Provident Fund (Deduction): In Tally.ERP 9, Provident Fund (PF) refers to a mandatory retirement savings scheme. In the payroll module, PF is handled through two distinct perspectives: the Employee's Deduction (taken from their salary) and the Employer's Contribution (paid by the company).

- Name Provident Fund or (PF)
- Pay Head Type Deductions for Employees
- Income Type Variable
- Under Current liabilities
- Affect Net Salary Yes
- Name to appear in Payslip Dearness Allowance
- Use for Gratuity Yes
- Calculation Type As Computed Value
- Attendance/Leave with Pay Present (or Not Applicable if using "Leave without Pay")
- Calculation Period Months
- Per Day Calculation Basis On Specified Formula (basic salary+DA+HRA)



Tally.ERP 9

P: Print E: Export M: E-Mail O: Upload S: TallyShop G: Language K: Keyboard

Pay Head : PF	Payroll										
Name : PF											
Total Opening Balance											
<p>Pay Head Information</p> <p>Pay head type : Employees' Statutory Deductions</p> <p>Under : Current Liabilities</p> <p>Affect net salary ? Yes Name to be displayed in payslip : PF</p> <p>Calculation type : As Computed Value</p> <p>Calculation period : Months</p>	<p>Computation Information</p> <p>Compute : On Specified Formula</p> <p>Specified formula : (Basic Salary + DA) + HRA</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Effective From</th> <th>Amount Greater Than</th> <th>Amount Up To</th> <th>Slab Type</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>1-Apr-2025</td> <td></td> <td></td> <td>Percentage</td> <td>2 %</td> </tr> </tbody> </table>	Effective From	Amount Greater Than	Amount Up To	Slab Type	Value	1-Apr-2025			Percentage	2 %
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