24ETAX ERP · PROCESS GUIDE 11

Payroll and people

Covers: Payroll & people › Payroll (pay runs, PF & ESI, PT, salary register, settings), Employees, Attendance & leave

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Purpose

Runs the monthly salary from attendance to payslip: compute pay with PF, ESI, professional tax and TDS, get it approved, post the salary journal, pay employees and send payslips. Then prepares the PF and ESI monthly returns, has them approved, and records upload and payment. Also keeps employees, leave, holidays and reimbursements.

Who does what

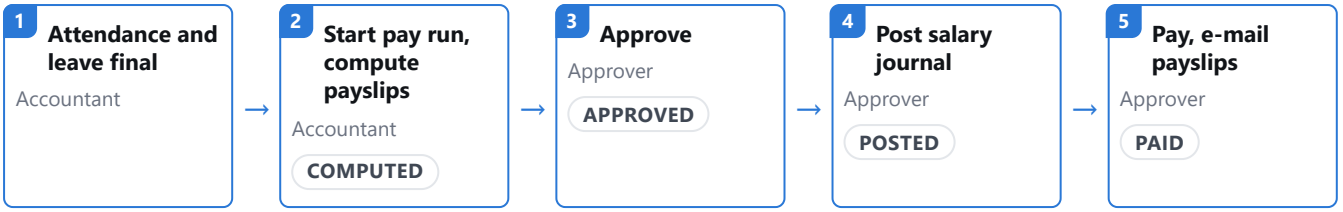
Step	Who
Employees, salaries, attendance, compute pay run, prepare PF/ESI files	Accountant (payroll manage right)
Approve the pay run; approve PF/ESI returns	Approver or Admin – never the person who computed or prepared
Post salary journal, pay, record statutory payment	Posting follows normal maker → checker
View payslips, leave and declarations for self	Employee, in self-service (guide 19)

Before you start – setup (one time)

1. Open **Payroll & people** › **Payroll** › **Settings**.
2. Under **Statutory registrations and rates** enter the **PF establishment ID**, **ESIC employer code** and LWF registration; check the wage ceilings. Choose the **Salary expense ledger** and **Salaries payable ledger**. Click **Save settings**. A pay run cannot post until these ledgers are mapped.
3. Under **Salary components** add each earning, deduction and reimbursement (Basic, HRA, Conveyance…), marking which are taxable, count as PF wages and are pro-rated for attendance. **Add component**.
4. Under **Salary structures** build a structure: each component as **% of gross**, **% of basic**, **fixed ₹** or **balance**. **Save structure**.
5. If you have more than one PF code or ESI sub-code: PF & ESI › **Establishments & rules** › add each establishment and map its branches.
6. In **Payroll & people** › **Attendance & leave** set **Leave types** with annual quota and carry forward, and the year's **Holidays**.

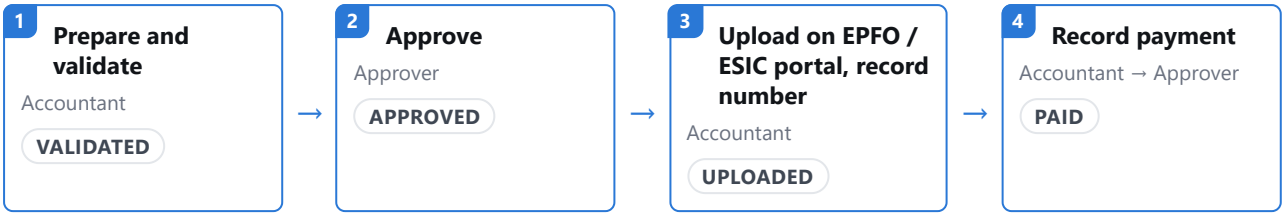
Process flow

MONTHLY PAY RUN



- The approver must be a different person from the one who computed the run.
- To correct a run that is approved but not yet posted, use **Reopen**, correct and recompute.
- To correct a posted run, the approver reverses its salary journal (guide 02). The run is then marked reversed and its payslips leave the registers until it is corrected and posted again.

PF AND ESI RETURN FOR THE WAGE MONTH (DUE BY THE 15TH)



Steps

1. Add an employee

1. Open **Payroll & people** › **Employees** and start a new employee. Enter **Full name**, **E-mail (ESS login)**, **Date of joining**, **Date of birth**, **Designation**, **Department**, **PAN**, **UAN (PF)**, **ESI IP number**, bank account and IFSC. Click **Create employee**.
2. On the profile set branch, cost centre, **PT / LWF state**, **Tax regime**, **PF applicable** (and whether PF is restricted to the ceiling), ESI, and **Payout** mode. **Save profile**.
3. Under **Set / revise salary**: **Effective from**, then either **structure + gross** (pick the **Structure** and **Gross per month ₹**) or **component amounts**. Click **Save salary**. An employee with no salary is skipped by pay runs.
4. Fill the PF and ESI details (previous UAN, EPS membership, nominees) and generate **Form 11**, **Form 2** and **ESI Form 1** for the joining file.
5. When the employee submits a tax declaration, check the proofs and click **Mark proofs verified**; final-quarter TDS uses the verified amounts.
6. On leaving: set **Date of leaving** and status, with the **EPFO exit reason** and **ESI reason code**.

2. Attendance and leave

1. Open **Payroll & people** › **Attendance & leave** › **Attendance**. Enter or **Import** the month's attendance. The grid shows paid days and LOP (loss of pay) per employee.
2. Under **Leave requests** decide each request: **approve** or **reject**. Use **Apply on behalf of an employee** for leave told to you by phone.
3. Under **Reimbursements** check each claim with its receipt and approve or reject.

3. Pay run

1. Open **Payroll & people** › **Payroll** › **Pay runs**. Choose the **Period** and click **Start pay run**.
2. Open the run and click **Compute payslips**. Read **Warnings** (no salary, no PAN, missing bank account) and fix them; then **Recompute**.

3. Check the table per employee: **Days**, **LOP**, **Gross**, **PF**, **ESI**, **PT**, **TDS**, reimbursements and **Net**. Compare totals with last month and explain large changes (joiners, leavers, increments).
4. The approver clicks **Approve**.
5. Click **Post salary journal**. It debits salary expense and credits salaries payable, PF, ESI, PT and TDS payable.
6. Pay: choose the bank and the mode – "bank entry only" if you pay from the bank's own site, "bank entry + payouts" to send through the payment provider – and click **Pay**. On a paid run, **Send payouts** sends payouts not yet sent. A salary journal or payment above the approval rules waits for a further approval.
7. **Render payslips**, then **E-mail payslips**. Employees also see them in self-service.

4. PF and ESI monthly return

1. Open Payroll › PF & ESI › **Monthly returns** and choose the **Wage month**. The pay run of that month must be posted.
2. Read **Coverage alerts** (employees crossing a ceiling, missing UAN or IP number) and fix the employee records.
3. Click **Prepare & validate** for PF (ECR) and for ESI. The file is built from the posted payslips, one per establishment. The screen shows members, wages, employee share, EPS, employer EPF, admin and EDLI charges and **Total payable**.
4. A different person clicks **Approve**. The status becomes **Approved for upload**.
5. Download the **ECR .txt** / **ESIC file**, upload it on the EPFO or ESIC portal and generate the challan there.
6. Back in the app enter the TRRN (PF) or **ESIC challan no.** and click **Record upload**.
7. After paying, enter **Paid on**, **From bank** and attach the **Challan receipt / acknowledgement**; click **Record payment**. The payment journal posts through normal approval (with interest and damages if late).
8. Check **Payables reconciliation**: PF and ESI payable in the books less returns not yet paid should leave no **Difference**.

5. Joiners, leavers, registers and contractors

Tab	Use
Joining & exit	New joiners to register on the portals (UAN bulk file, ESIC registration sheet, forms to generate) and **Exits to mark** with the last day and reason codes.
Registers & reports	PF register, annual PF summary, ESI register per contribution period, coverage check and the inspection pack.
Contractors	**Add contractor** with PF/ESI codes, licence and workers. Each month collect the PF TRRN, ESI challan and **Worker list**, **Save proofs**, and have a second person **verify** them.
PT & other files	Professional tax per state, ESIC and ECR previews, and the list of **Generated files**.
Salary register	Year-to-date per employee with **Form 16** at year end.

Salary TDS is deposited and reported through Direct tax › challans and the quarterly statement (guide 10).

Checks and controls

CHECKS AND CONTROLS

- The person who computes a pay run cannot approve it; the person who prepares a PF/ESI return cannot approve it.
- PF and ESI files are built from the figures stored on each payslip and are never recomputed afterwards.
- A return that has been uploaded or paid cannot be regenerated; a correction goes in a fresh file.
- Pay runs respect the payroll period lock. Statutory payments count only when their journal is posted.
- A contractor whose previous month's proofs are not verified raises a warning on their bill and an alert in the Review inbox.

Limits

LIMITS

- The app does not upload to the EPFO or ESIC portals; you upload the file and record the number.
- Before first use, upload one real ECR and one ESIC file to confirm the portal accepts the layout. If the ESIC portal refuses .xlsx, save the file as .xls.
- Employees cannot be invited to self-service from the Users screen; self-service opens for a signed-in user whose e-mail matches the employee's **E-mail (ESS login)**.
- **Send payouts** is in test (sandbox) mode until a live payment provider is enabled.

Routine checklist

Monthly

- [ ] By the 25th: joiners added with salary, leavers marked, attendance and leave final.
- [ ] Pay run computed, warnings cleared, approved, posted, paid; payslips e-mailed.
- [ ] By the 7th: salary TDS deposited (guide 10).
- [ ] By the 15th: PF and ESI returns approved, uploaded and paid; payables reconciliation shows no difference.
- [ ] Professional tax paid per state. Contractor proofs collected and verified.

Year end

- [ ] Tax declarations verified before the January pay run. Form 16 issued after the Q4 statement. Annual PF summary printed.