

Employee Loans

Employers may choose to make available loans to employees for a variety of reasons. Often the loan agreement asks for repayments to be made through deductions in the payroll system.

An employer is responsible for:

- ◆ Making deductions of the amounts specified by the Loan agreement
- ◆ Keeping records of the deductions made
- ◆ Ensuring the deductions reduce the loan balance.

The payroll provides a system to deal with the administration of loans through the payroll.

Setting up a Loan

Take details from the loan agreement between the employer and employee.

Loans are entered in the Payroll/Tax details for an employee, accessed via the Payroll menu.

PAYROLL → SET EMPLOYEE → SET relevant employee → PAYROLL → LOANS

- ◆ Enter a unique name and description for the Loan in the **Element Name** field
- ◆ From the **Account** dropdown select the nominal ledger account in which the loan is recorded.
- ◆ Enter the **Amount** which is to be deducted at each payroll run.
- ◆ Enter a **Starting Balance**. Enter any amount that has

| | | | |
|------------------|-----------------|-------------|-----------|
| Employee | | Taylor, Joe | |
| Element Name | Relocation Loan | ← ? | |
| Account | Other Debtors | ↓ ← ? | |
| Amount | 150.00 | ← ? | |
| Starting Balance | 250.00 | ← ? | |
| Paid To Date | 250.00 | ← ? | |
| Balance To Pay | 0.00 | ← ? | |
| Add Item | | Undo Item | Save Item |
| | | Reset Form | Submit |

| # | Element Name | Account | Amount | Starting Balance | Paid To Date | Balance To Pay | Del |
|---|-----------------|---------------|--------|------------------|--------------|----------------|-----|
| 1 | Relocation Loan | Other Debtors | 150.00 | 250.00 | 250.00 | 0.00 | Del |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | | | | | | | |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | | | | | | | |

already been **paid to date** by the employee. As deductions are made at each payroll run, this figure will be updated and display the total amounts deducted to-date. Enter the **balance to pay** as the amount still to be paid off the loan. Usually this is starting balance less paid to date. As deductions are made at each payroll run, this figure will be updated and display the balance still to pay.

Calculation of the amount of the deduction

The system automatically records the correct amount of deduction, from the next payroll run after the start date. All reports reflect the deduction appropriately.

The system automatically stops deductions when the **Balance to Pay** reaches zero.