



PNG Payroll Processing

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Welcome to SmoothPay Payroll for PNG

SmoothPay provides built-in localisation (tax and superannuation rules) for **Papua New Guinea**, including using the correct currency symbol “K” (*instead of “\$”*).

Employees in PNG are provided minimum employment conditions by the *Employment Act* which provides for basic leave entitlements, stand-by and call-out rates, overtime rates, rest periods, hours of work etc.

This guide covers some of these issues in the PNG edition of SmoothPay Payroll, and is intended as a general guide on how to proceed in each of the identified situations.

This guide is not a substitute for correct legal advice. If in any doubt regarding your legal obligations, you should consult a *Labour Officer* or your legal adviser.

SmoothPay is designed to permanently record your pay input entries for subsequent retrieval and reporting. If used correctly, it will provide you with all the requirements for leave recording and reporting, overtime, allowances history, leave accruals, superannuation, tax reporting etc.



Extra localisation, such as specialised reporting requirements, or implementation of rules we may not know about, can be requested by contacting the SmoothPay helpdesk.

Do this FIRST!

If you have installed from the localised installation file (*available from the PNG page on our website*), then your system will already be set up correctly for PNG payroll processing.

If, on the other hand, you installed from a generic installation, then your payroll will probably be set for Australian payroll rules, or one of the other countries supported by SmoothPay. If so, you need to delete the original installation and re-install from the correct install file (*or download the correct empty database from the country-specific features page on our website, or call the HelpDesk for assistance*).

SmoothPay is now ready for PNG payroll processing and you can commence with the rest of your setup, then add or import employees - **refer to our *Getting Started Guide*** and follow the easy steps. The *Getting Started* and *Pay Process* guides are available on the splash screen under *Tutorials*, and under *Help*, as well as our website.

You can also call our helpdesk for assistance by phone or by email - it's free during your evaluation, and all support is included as part of your subscription.

Piece-rate and casual contracts

Piece-rate employees are defined as "Casual" in the employee record (*Staff..Contract*), and the leave entitlements (*Staff..Leave..Entitlements*) can be set to zero unless otherwise agreed.

Pay input will be via the *F6 (Staff..Pay..Allowances)* screen, using allowance codes to represent each type of piece-work, the units of work and the rate applicable to each unit. New codes are added in the Codes section (refer *Getting Started Guide*).

Permanent (usual) piece-rate entries should be saved as part of the employee's Standard Pay Template (to avoid having to re-enter them each pay period).

Overtime

SmoothPay provides for overtime via (*Pay..Time entries*) with a default multiplier of 1.5, and 2 for double time. You can add other overtime codes if you need to (*Codes..Time*) to cater for other time types and different multipliers.

Stand-by Duty

This is normally paid as an allowance via the (*Pay..Allowances*) screen.

Call-out Duty

Overtime (*Pay..Time entries*) should be paid for any call-out, and where it exceeds 3 hours then an additional Call-out allowance is payable (*F6 or Staff..Pay..Allowances*)

Time in Lieu

The facility to record time in lieu for working on Good Friday and Christmas day is provided, however as the employee is entitled to take the lieu day within 7 days it may be sufficient to simply pay out the day in the current or next pay period.

If you choose to record time in lieu as it is earned and taken, then:

- Use Overtime/Penal (*Pay..Time entries*) to record the time worked
- Edit the employee Time In Lieu leave history (*Leave..History*) by adding a transaction for the day or time to be accrued
- When the lieu day is taken, record the entry as Time in Lieu (*Pay..Leave taken*) and the units paid out will be deducted from the employee's Time in Lieu balance when the pay is completed.

Common Rules

Where Common Rules provide better conditions than the following, then they should be applied.

The leave provisions supplied with SmoothPay are typically those from the Employment Act.

Public Holidays

Employees entitled to public holidays must be paid for them:

- Use Pay..Leave Taken..Public Holiday

If the employee also works on that day then they should also be paid for the time worked:

- Use Pay..Time..Ordinary (unless their agreement provides for an overtime rate or their hours need to be split between ordinary and overtime entries for the day). This payment is in addition to the payment for the Public Holiday.

Recreation Leave (Annual or Holiday leave)

The minimum prescribed entitlement is 14 consecutive days off after each year of service (*except casual and piece-rate workers*).

Therefore, each employee's annual leave should be established as Annual Days with the annual accrual (e.g. 14 or more) set as required. Any balance owed from their previous annual accruals should be set in *Staff..Leave..History* by adding a transaction containing the bring-on balance).

If you choose a different method (*e.g. Percentage each pay, or annual weeks, or annual hours*), then a rate producing a similar result should be used, however for clarity, the method prescribed by the Act should be used (*14 days, accruing annually*).

Termination Recreation Leave entitlement

Where an employee has completed at least 6 months service they are entitled to a Recreation Leave payment equivalent to 1 day's pay for each completed month of service, or the amount of leave remaining that has accrued to date. This information is available on the employee's *Leave..Entitlements* screen or by right-clicking the employee's name and selecting Leave Balances.

Sick Leave

The minimum prescribed entitlement is 6 days per year (*except casual and piece-rate workers*). Sick leave is not generally payable if the employee has served less than 6 months.

Therefore, each employee's sick leave should be established as Annual Days with the annual accrual set as required. Any balance owed from their previous annual accruals should be set in *Leave..History* by adding a transaction containing the bring-on balance).

You may set the maximum accrual option to 18 (*or more as prescribed by the Act*), and SmoothPay will automatically maintain the balance at, or below, this level.

If you choose a different method of accrual (e.g. *Percentage each pay or annual hours*), then a rate producing a similar result should be used, however for clarity, the method prescribed by the Act should be used (6 days, accruing annually).

Long Service leave

SmoothPay provides for a Special Leave classification with accruals annually (*days or hours*), or by percentage each pay.

An example might be 3.5 days per year of service - this is best set up as 0.01346 per pay period (a percentage each pay) or whatever produces an equivalent result, or simply as 3.5 days annually accruing per pay period.

Leave balances on payslips

For each type of leave you have the option of showing the leave balance on the employee's payslip - refer *Codes..Leave*

Payslips

SmoothPay provides for printing of individual payslips (in a variety of styles) from each employee's Pay Input screen, or in bulk from Standard Reports. Another option available is email payslips - also available in bulk from the Standard Reports screen.

These disclose all the required information to the employee.

Leave Records

A series of reports is available from SmoothPay which, when combined, provide full details of leave taken, leave accruals and employee information:

- Employee detail printout, shows all required employee details including next of kin
- Individual leave reports show details of leave accruals, adjustments, leave taken
- Summary and detail reports are also provided that show leave entitlements and balances

Leave comments may also be edited to provide a complete history/reason for leave and adjustments.

Bank Accounts and Direct Credit files

SmoothPay can generate correctly formatted direct credit files for the following PNG banking systems:

- KunduPei
- ANZ Transactive
- Westpac HandyPay
- BSP CSV format for Online Business Banking (OBB)

Bank accounts must be entered and formatted as follows:

BSB-ACCOUNT (e.g. 088303-6204856)

Where 088303 is the Bank and Branch (BSB) part, and 6204856 is the Account.

You need to ensure the bank prefix (BSB, or the first 6 digits) is correct for the bank you're paying and the banking system you are using.

Generally:

- 038nnn is Westpac (e.g. 038004 is Port Moresby)
- 018nnn is ANZ (e.g. 018900 is Port Moresby)
- 088nnn is BSP (e.g. 088294 is Port Moresby)

The Company bank account settings are in the Company Setup..Bank screen, e.g.:

In this example for Westpac HandyPay, the BSB number is 038004, the account is 6001105358 and the bank code (mandatory for Westpac) is WBC. You may also be given a User number by the bank which can be entered in the User # field (zero normally works OK).

The screenshot shows the 'Settings' window with the 'Bank' tab selected. The fields are: Bank system: Westpac HandyPay; Bank code: WBC; BSB+account: 038004-6001105358; Type: BOH; User #: 0; Statement text: Payroll; File name: handypay.aba.

This example is for BSP CSV format:

The screenshot shows the 'Settings' window with the 'Bank' tab selected. The fields are: Bank system: BSP CSV; Bank code: BSP; BSB+account: 088294-1004117394; Type: BSP; User #: 123456. A red arrow points to the 'User #' field with the text 'OBB client number' next to it. The file name is 'wages.csv'.

Kundupeii:, the file must be named Kundu1.aba, though it can be located on any writable drive or folder. We suggest the file should be created in the KUNDUPEI folder, as in:

C:\KUNDUPEIKUNDU1.ABA for Windows users, or in your payroll folder for Mac users. The file MUST eventually be placed in the KunduPei folder on a Windows PC to ensure the *Transfer* process can find it (because KunduPei is a Windows program).

ANZ (Transactive): you should name the file and output location as required (e.g. wages.aba by default)

Westpac HandyPay: you should name the file and output location as required (e.g. wages.aba by default)

KunduPei Diskette: To ensure the bank can process your KunduPei diskette, start KunduPei, choose *Transfer* to import the Kundu1.aba file into the required password-protected archive on the KunduPei diskette.

There are 2 versions of KunduPei - one which lets you manually enter the amounts against each employee, and another which lets you import a pay file instead. If your KunduPei program does not have this second option then you need to contact KunduPei and request a version that provides for importing a KUNDU1.ABA pay file.

Employee bank account/s can be created, edited etc. in the *Staff..Bank* screen.

There is no limit to the number of bank accounts an employee may have, and each account can be set as an amount per pay, a percentage of pay, balance of net pay etc, providing full flexibility.

Superannuation

SmoothPay provides for automatic calculation of both the employee and employer contributions, as well as Nasfund H/Loan repayments (as a %).

Default superannuation percentages are established in *Configure..Super*:

Settings

General Bank Payslips Accounting **Super** Email Timesheets Options 1 Options 2

Provider: NASFund Auto-enrol staff after 3 months?

Employee %: 6.000000 Employer Ref#:

Employer %: 8.400000 Date of reg:

Allocate employer contributions in costing analysis Prorated

Calculate super on gross ordinary earnings?

Note the option to include employer superannuation costs in the cost analysis reports for easy accounting for super.

You must also enter your Employer number and registration date in the Configure..Super settings

Each new employee you add will inherit these as their default values (*Super* tab). Change the superannuation provider and settings if you need to (Super funds can be added in *Codes..Agencies and Super Funds*) or you can choose "None" if the employee is not eligible (e.g. engaged in a primary industry or has any other exemption).

Personal Pay History Contract Leave **Super** Payments Bank Notes

Provider: NASFund Member #: 783140

Employee %: 6.000000

Employer %: 8.400000 Cost to: Default

H/Loan?: None Rate/Amount: 0.00

WHO IS REQUIRED TO CONTRIBUTE TO A SUPERANNUATION FUND?

- Any employer that employs 20 or more persons must contribute to an Approved Superannuation Fund.
- Contributions by both employer and employee must commence after 3 months service (or earlier)
- There are no age exemptions
- Employee cannot contribute less than 6%
- Employer cannot contribute less than 8.4%
- Maximum is 15% (for both)

EXEMPTIONS

- Non-citizen with a written exemption
- Employee pays into an overseas super fund (and has a written exemption)
- Employee engaged in scheduled primary industry
- Employed less than 3 months
- Employer has less than 20 staff

NOTE: Superannuation in PNG is usually calculated on ordinary time earnings (OTE) or equivalent pay for leave etc which would otherwise be ordinary time, so overtime and double time should not be included for super calculations. There is an option on all time, leave and allowance codes to include for superannuation if you wish to include other earnings.

Superannuation reporting

Comprehensive Superannuation Schedules (*Reports..Super..Schedule*) includes:

- a schedule report of totals per pay period, grouped by pay-point (employee department) or by Super Fund
- individual payment schedules per fund (again, itemised by employee/month)
- You are required to report after each pay period (it is NOT acceptable to report monthly)
- Select ***Reports..Super..Schedule (batch)***:

Select payroll batch

Batch 217, pe 31/01/2018, paid 12/01/2018
 Batch 216, pe 02/01/2018, paid 03/01/2018
 Batch 215, pe 31/12/2017, paid 22/12/2017
 Batch 214, pe 22/12/2017, paid 22/12/2017
 Batch 213, pe 19/12/2017, paid 20/12/2017
 Batch 212, pe 31/12/2017, paid 15/12/2017
 Batch 211, pe 05/12/2017, paid 08/12/2017
 Batch 210, pe 05/12/2017, paid 06/12/2017
 Batch 209, pe 21/11/2017, paid 23/11/2017
 Batch 208, pe 21/11/2017, paid 22/11/2017
 Batch 207, pe 30/11/2017, paid 15/11/2017
 Batch 205, pe 07/11/2017, paid 08/11/2017
 Batch 206, pe 07/11/2017, paid 08/11/2017
 Batch 204, pe 24/10/2017, paid 25/10/2017
 Batch 203, pe 31/10/2017, paid 13/10/2017
 Batch 202, pe 10/10/2017, paid 11/10/2017
 Batch 201, pe 26/09/2017, paid 27/09/2017
 Batch 200, pe 30/09/2017, paid 15/09/2017
 Batch 199, pe 12/09/2017, paid 13/09/2017
 Batch 198, pe 29/08/2017, paid 30/08/2017
 Batch 197, pe 15/08/2017, paid 16/08/2017
 Batch 196, pe 31/08/2017, paid 15/08/2017

You MUST set this with the correct date you paid so that Nasfund can find and match your payment against this schedule



SF8 payment date 22.01.2018

Cancel

OK

If there are any super setup errors these will be reported to you and should be corrected BEFORE filing. These errors are reported in more detail in your log file.

- a completed spool/**NasfundSF8_XXXXXX_YYYYMMDD.csv** file is generated for you automatically ready for filing via the Nasfund employer portal. **spool/NasfundSF8.xlsx** is also generated for you automatically in case you need to amend and re-export to CSV or want to view the data without affecting the csv file.
- In the example above, assuming the Employer number is 123456, the file spool/NasfundSF8_123456_20180112.csv would be created for you.

A schedule can also be produced for any other date range (monthly, annually etc) - while these also produce the files mentioned above they should NOT be used for filing.

Savings and Loans

SmoothPay provides a built-in Savings and Loans module that lets you easily establish and manage:

- loans and a repayment rate,
- savings with an optional target and the ability to borrow against savings or even to overdraw savings
- print statements and balance reports at any time
- show account balances on the employee's payslip

For more information, please refer to the Savings and Loans Guide available on our website.

Allowances (and how they affect the SOE (Statement of Earnings))

This is IMPORTANT!

There are correct ways to deal with all payments made to staff, whether they are:

- direct allowances (taxable and non-taxable) included in the employee's pay
- taxable benefit: added as an allowance, then automatically deducted after tax
- non-taxable benefit: untaxed/exempt payments made by the employer for the benefit of the employee (e.g. school fees, travel fares (one return fare for employee and family) etc.

SmoothPay provides allowance code categories so that all payments can be identified (if required) for SOE (Statement of Earnings) certificates.

It is EXTREMELY IMPORTANT when you add a new allowance code that you set its category correctly - as this not only affects how the item will be taxed, but where it will appear on the employee's SOE at the end of the year.

NOTE: all allowances classified in the "Taxable Benefit" category (non-cash benefits provided by the employer where the value is included in taxable earnings) will always generate an automatic deduction for the amount of the allowance (*this is very convenient as it saves you having to maintain an allowance and a deduction amount and keep them synchronised*).

Statement of Earnings forms (SOE forms)

At the end of each year you can produce S1 (*or S1-L forms used by large employers paying tax over 1 million Kina per annum - set this option in Config*) directly from SmoothPay, and any listed allowances will appear in the correct place on the form.

You then simply print and sign them (*if your data hasn't been entered correctly during the year then you may need to correct previous pays with assistance from the helpdesk, or complete your forms manually*). This process will also create a spreadsheet summary of your SOE data which can be emailed or posted to IRC.

Individual SOE forms can be produced for any employee, for any tax year from *History..Print tool..Statement of Earnings*.

Allowance setup examples

SmoothPay is delivered with a set of standard, common allowances already configured for you. Additional allowance codes (as many as you need) can be added and configured as required.

Note that not more than 40% of an employee's salary may be "packaged" as non-cash benefits, nor must packaging in any way try to circumvent income tax (it must be legitimate).

The following examples illustrate common scenarios and how they should be set up:

Purpose	Classification	SOE Classification	Comments
Reimbursement	Non-taxable	-	Use this to reimburse an employee for any out-of-pocket expenses
Advance	Non-taxable	-	Use this to make a cash advance to an employee - to be recovered from the employee as a deduction in subsequent pay periods
Airfares (annual)	Leave fares	Non-taxable benefit	This has no effect on the employee's net pay. Must be used to record the cost to the employer of the employee's annual fare (<i>see also Additional Fares below</i>).
Additional fares	Leave fares	Taxable allowance (if paid to employee), or Taxable Benefit (if paid by employer)	You should never use the Non-taxable benefit option unless you have received an exemption from the Commissioner General.
Bonus	Taxable		
Accommodation	Accommodation	Taxable benefit	Where provided by employer or at employer's expense in Area 1 or Area 2, up to limit allowed
Accommodation (extra)	Accommodation	Taxable allowance (if paid to employee), or Taxable Benefit (if paid by employer)	Any amount in excess of the limits allowed
Retirement or Termination lump sum	Lump sum on termination	-	Unused long service leave
School fees	School fees	Non-taxable benefit	Where fees are paid by employer
School fees	School fees	Taxable allowance	Where employee pays own fees and receives an allowance from the employer
Motor Vehicle benefits	Motor vehicle	Taxable benefit	Where employer provides employee with a vehicle - IRC values apply unless a determination for a lesser amount has been given
Meals	Meals	Taxable Benefit (if employer provides messing type meals)	Amount is prescribed by IRC (currently K30)

Purpose	Classification	SOE Classification	Comments
Meals	Meals	Taxable Benefit (if employer provides meals)	Actual cost of meals to the employer
Housing	Accommodation	Taxable allowance	Where employer pays an employee an allowance in lieu of providing accommodation - full value unless variation obtained.
First Home	Accommodation	Non-taxable allowance (if paid to employee), Non-taxable benefit (if paid by employer)	Housing Allowance Variation form not required until home paid off
Other allowances and benefits	Select appropriate category	Taxable allowance (if paid to employee), or Taxable Benefit (if paid by employer)	Check with IRC if you are unsure

Taxation, child rebates

SmoothPay provides current tax rules and automatically calculates child rebates (*number of children entered in Tax Settings on the employee's Personal page*).

Part-periods may be captured during pay input by selecting the Summary tool and entering the number of pay periods (to 2 decimal places). The reasoning for this is to calculate tax on "fortnightly-calculated" values rather than the value actually being paid. Some examples:

- An employee starts mid-cycle and works 7 days of the fortnight. The IRC indicate the employee's fortnight should be treated as 11 days when starting or finishing, so 7/11ths would be 0.64 Fortnights to have tax and leave accumulated correctly (you might think it should be 0.7 or 7/10ths for an employee who works 5 days per week, or even 0.5 or 7/14ths for 7 out of 14 days, but the IRC rules are quite clear)
- An employee works a whole fortnight and will also take 1 week of leave. Normal pay cycles are treated as being 14 days. This would be entered as 1.5 fortnights (21/14ths)

Whatever value you enter will adjust the tax and leave accruals accordingly.

We have noted distortions in the tax tables that don't coincide with the computer calculation specifications and tax may vary in some cases by ±40 Toea.

Note too, SmoothPay does not use marginal tax rules for back payments or termination payments - these are not mentioned in the computer calculation specifications, but may be added in the future.

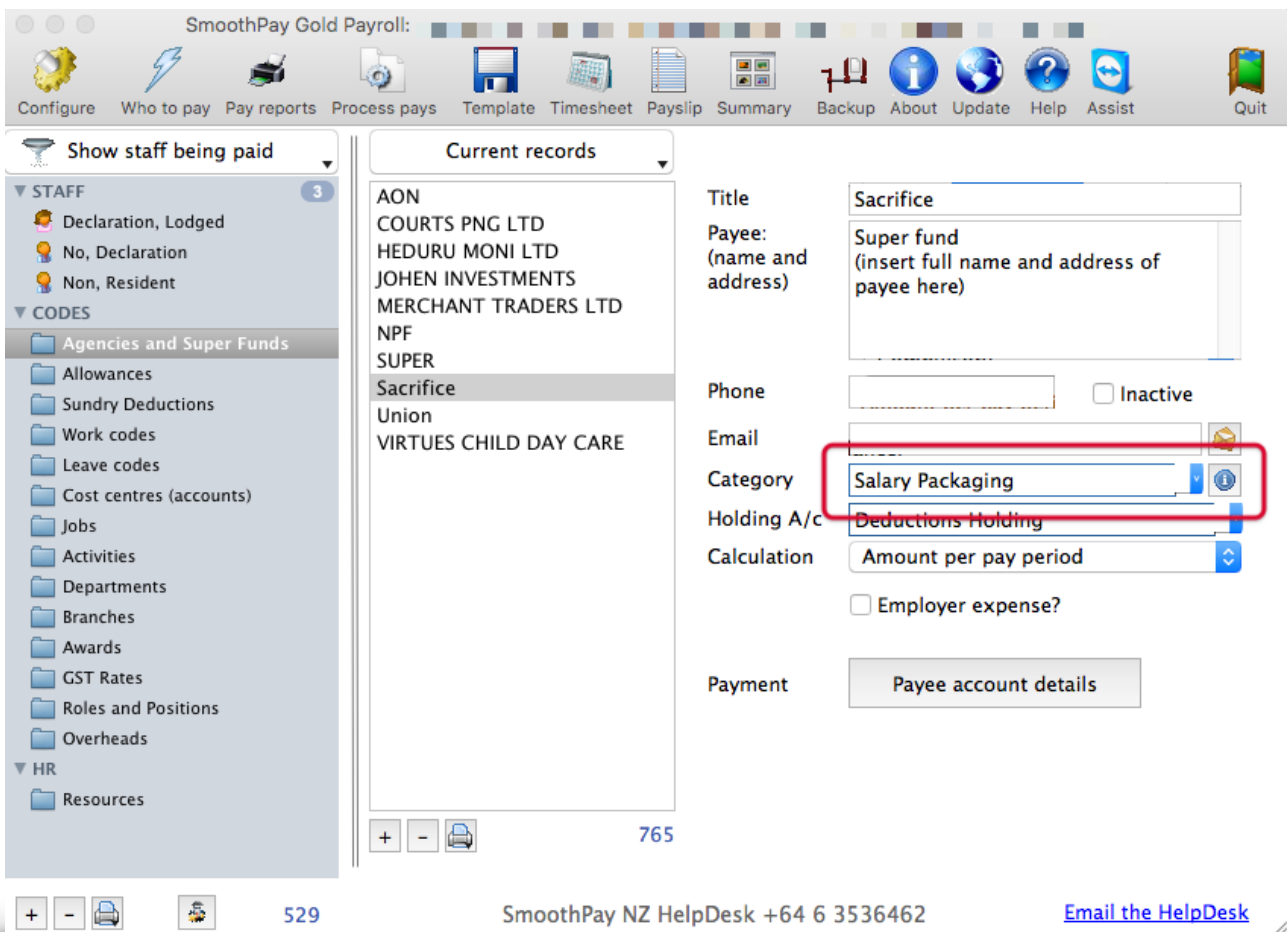
Salary Packaging

IRC permit salary packaging of non-cash benefits up to a maximum of 40% of the employee's gross salary (refer TC 2016/1).

Packaging may include:

- Sacrifice to superannuation
- Non-cash benefits that are wholly or partially exempt from income tax (concessionally taxed or exempt) - yes, this is very vague
- Novated leases (motor vehicle, if the vehicle is used solely for business purposes). Any private use is a taxable benefit. Transfer of ownership to the employee is a taxable benefit equivalent to:
 - current market value at the end of the lease period or
 - residual lease value when the transfer occurs

Here is an example of a sacrifice code set up (create separate codes for super sacrifice etc as needed):



Add the sacrifice to the employee's payments tab entries for the amount required each pay period.

We advise that all packaging arrangements be in writing and cleared with IRC.

Software (Program) updates

All tax rules and other legislative changes are incorporated in regular software releases - minor updates are issued approximately monthly, however tax changes are generally included in updates around the end of the tax year, ready for the next year (*it depends on when we receive notification of any changes*).

For this reason it is VERY IMPORTANT that you keep your software up to date.

SmoothPay automatically checks for updates (every 2 weeks or so), however to be effective you need a broadband connection as the update download can be quite large.

If your internet connection isn't particularly fast or your payroll computer isn't connected to the internet, then you can obtain the latest update from **any computer** connected to a decent broadband connection (*e.g. another business computer, an Internet Cafe, Library etc*) and save the update file to a USB stick, CD or other media - then, on your payroll computer just run the latest update from that media.

SmoothPay support, training and assistance

SmoothPay provides all end-user product support and training **at no additional cost** as part of both your evaluation of SmoothPay and your ongoing subscription. This includes "direct-to-desktop" assistance with any problems you might be having (requires a reliable broadband connection) - it includes a handy chat feature which enables discussion during training.

We can also be contacted via phone or email (see the foot off the Control Centre for contact options).

You may need to backup your data to our free offsite internet backup (*or upload your latest database archive to dropbox or other file-sharing service*) for analysis, especially for technical questions or troubleshooting. This is highly recommended anyway to further protect your payroll data in the event of computer loss or data corruption.

If you prefer local support and assistance, then our independent agents in PNG may provide services and support on a chargeable basis (see website for details).

Feedback

We're always keen to do better!

Any and all feedback is appreciated and if you feel we could include better examples, provide more explanation, provide references to additional information, make a process easier to use, or you spot something that isn't working the way it's supposed to - please let us know.