



Accounting for Overheads

Some industries, particularly Film and Television, have a requirement to charge “fringes” (*overhead costs such as superannuation, leave accruals, WorkCover, payroll tax etc.*) direct to specific cost centres for productions so that industry-standard reporting requirements can be met.



Great news! SmoothPay provides for Overhead processing so you can charge and/or track extra costs

Overheads can be “notational” entries (not actually costed), or, if a holding account has been specified for an overhead then the value will be included in your cost centre analysis and ledger transfer (file or direct).

These costs can also be pro-rated (*spread*) over cost centres used by the employee, or direct-charged to any cost centre.

Overhead codes and rules can be established in **Codes..Overheads**.

These codes can then be used as entries in **Pay..Overheads** (*NOTE: These do not affect the employee’s pay at all*).

Let’s see how this works in practice:

Establishing Overhead codes

In this example we’ll add a Payroll Tax overhead charge:

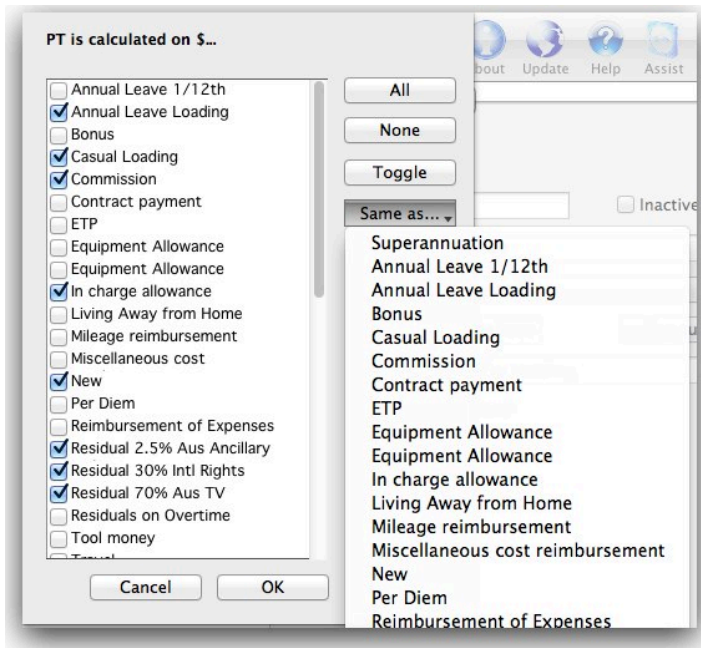
- Choose **Codes..Overheads**
- Click + to add a new Overhead code
- Complete as follows:

The screenshot shows the 'Codes..Overheads' window in SmoothPay. At the top, there are tabs for 'Staff', 'Codes', and 'HR'. Below the tabs, there's a dropdown menu for 'Choose code type to view' set to 'Overheads'. A list on the left shows 'PT' selected. To the right, the details for 'PT' are displayed: Abbreviation: PT, Description: Payroll Tax, Calculation: Earnings x Rate, Rate: 0.049000, Holding A/c: Payroll Tax Holding, and Prorated? (unchecked). There are also 'Inactive' and 'Fine tune' checkboxes.

A few points to note:

- We’ve specified *Earnings x Rate* as the method of calculation - this lets you use *Fine Tune* to specify exactly which earnings form the basis of the calculation
- If a standard rate applies, enter it now
- We’ve specified a *Holding A/c*, so any calculated values will be included in the cost centre analysis and ledger transfer.
- We haven’t ticked *pro-rated*, so you’ll be able to specify an account to charge whenever you use this overhead code

In *Fine Tune* we selected “*Same as...*” and set it to work on the same earnings categories as superannuation (*you can choose any other template, and then customise to suit*):



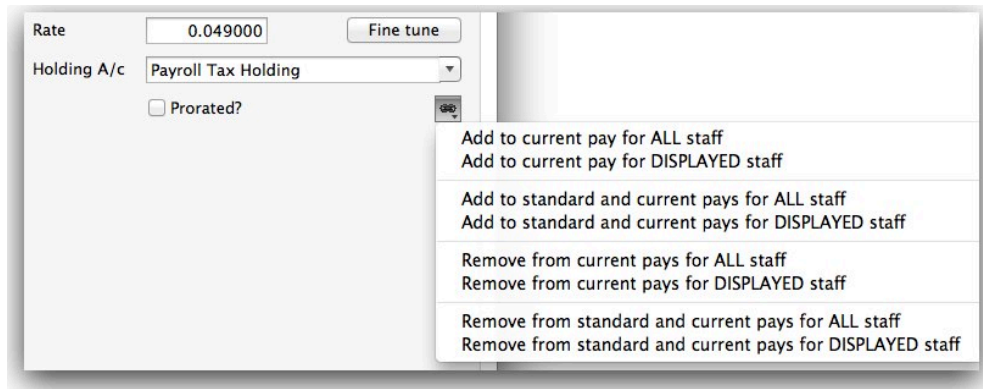
Fine-tune to specify which earnings categories this overhead will be calculated on

Adding an overhead code to an employee’s pay input

There are two ways of doing this - the easy way...and the long way (doing it individually):

The easy way

We’ll add this to current and standard pays for all staff.



- Click the “Link” tool in the *Codes..Overheads* page
- Choose *Add to standard and current pays for all staff* (assuming that’s what you want to do)
- Confirm, and it’s done!

All staff will now have a Payroll Tax Overhead entry in their standard pay, and if they have a current pay already in progress you’ll see the entry in *Pay..Overheads*.

If you want the cost charged to a cost centre other than the employee’s default then you’ll need to call up their pay input (preferably using *Who To Pay*), edit the cost centre and re-save as standard pay.

The long way

We'll add the overhead to an employee's current pay (repeat for every employee you want to have this overhead charge calculated for):

- If the employee hasn't already been selected for pay, choose *Who To Pay*, select the employee(s), then OK.
- Choose *Staff..Pay..Overheads* and click the + to add an entry and select the *Payroll Tax Overhead* (or whichever overhead code you want to use). If necessary, edit the rate to be used.
- If you want to save it as part of the employee's standard pay (so it automatically loads whenever the employee is selected for pay), choose the *Save* tool.

Reporting

Numerous reports are available:

- *Codes..Overheads*: Click the report tool to produce a listing of overhead codes, or a transaction history report for any date range
- *Pay Reports: Overhead/Fringe/Employer schedule* will list any overheads (as well as any fringe benefits and "employer" deductions you might be using for tracking).
- The *Pay Input Summary* will show a note regarding any overheads that will be costed in addition to the actual gross cost of wages
- The *Cost Centre Analysis* will include any overheads that have holding accounts specified, along with the additional overhead cost totals that have been charged direct or pro-rated (as a note at the foot of the report).

Note: Overheads do not affect the employee's pay advice or pay results in any way.

Related guides

See our *Basic Payroll Accounting* and *MoneyWorks integration* guides for more information about how to simplify your payroll accounting processes.

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.