



How Does Payroll Processing Work in India?

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[Payroll processing](#) is a key business process in the corporate universe. Whether it's a start-up or a multi-national company, payroll processing is one of the decisive background mechanisms keeping the mechanism afloat. Also, ***Payroll processing in India*** has seen a sea of changes over the past decade or so.

For most of the post-independence era, ***payroll processing in India*** was a highly manual task. It involved typing out documents, verifying, cross-verifying, signing-off, and multiple other repetitive and tedious tasks. It's also important to note that all of these records were paper-based, which meant that they were highly susceptible to damage and misplacement. Maintaining these records was a nightmare in itself while ensuring that there were no manual errors involved in the continued and concentrated effort that took up very high staff-hours and money.

However, this entire process has shifted globally since technology stepped into the picture. Software solutions have made the whole process far more accessible and more accurate. However, before we get ahead of ourselves, let's take a look at what payroll processing in India is all about, what are the different stages in payroll processing, and how do you manage payroll processing to make sure that it is conducted efficiently.

What is Payroll Processing in India?

Payroll processing is the end-to-end process wherein the company computes and pays out wages to its employees. While this may sound like a straightforward task, there are many stages involved. The final salary includes numerous additions and deductions for a variety of reasons, such as taxes, insurance, provident fund, gratuity, and others.

A typical job contract includes multiple variables that are a part of the employees' salary structure. Some deductions and payouts may happen monthly, while others may happen annually. The core objective of payroll processing is to ensure that there are no discrepancies involved and the employee is getting their fair share at the end of the month. This may be easy in a small company comprising less than a dozen people, but imagine this scenario with companies with hundreds and thousands of employees, and you'll understand how this becomes one of the most complicated responsibilities that a company is tasked with.

Stages of Payroll Processing / Indian payroll system

Some of the significant steps/stages that a *payroll management system* needs to take care of are-

- **Time and Attendance**

Different companies have different policies when it comes to the correlation between time spent on the premises and payment. For many companies who follow a strict approach to time and attendance, wages are paid according to the hours that an employee spends in the office. In this case, the Payroll processing in India must include procedures to calculate and deduct Leaves without Pay and other such absences from work.

- **Benefits and Deductions**

Any corporate employee has a bunch of benefits and deductions that are part of their Cost to Company (CTC). This may come in many forms, such as a basket of benefits, or individual benefits, and remunerations and or deductions that are added to or subtracted from the total salary. Some of the common benefits are travel allowance, housing allowances, phone recharges, etc., while deductions commonly comprise of the likes of provident fund, insurance, and gratuity.

- **Tax Deduction**



It is one of the most complicated parts of payroll management. Taxes are a complicated aspect of life, and each country and state has its own tax rules and regulations that must be complied with every year. Some companies opt to divide the expected tax by 12 and then deduct the amount from the salary of the employee every month. Others make a bi-annual or annual deduction that then has to be tallied with the employee's tax benefits and cuts. The payroll in India management system needs to be able to ensure tax deduction accuracy for a variety of employees with different earnings and taxes.

- **Salary Credit**

Even after all the calculations are done, there's still the major part of the process that needs to be executed without a hitch. Salaries need to be credited to multiple employee accounts during a specified day or period. This involves many numbers and much money, and one wrong move can lead to catastrophic consequences. It's one small step to employee dissatisfaction, and if there's a problem with the salary, there will be a problem in the workspace.

Conclusion:

These are a few of the broad stages of payroll management. You probably have a good idea now about how complicated the whole operation is. It's mind-boggling to think that all of this was previously handled by vast teams of people using rudimentary technology and methods. However, **payroll processing in India** is no longer bound by these operational inefficiencies and dependence on the workforce.

Modern technology has created solutions through which this process becomes so simplified that it can be handled by a small team comprising of just a few **HR personnel**. Not only does software help the company cut down on the cost of maintaining a large group of [payroll specialists](#) and a tonne of physical records, but it also boosts accuracy and cuts-down substantially on manual errors.

Payroll in India processing software is now the name of the game, and almost all companies worth their funding have technology in place to ensure that the Indian payroll system is digitized. However, there are several technology companies competing to provide the best software for payroll in India. Some of them focus on functionality, while others have their User Experience as a USP. Companies have a wide variety of options when it comes to ***payroll processing in India***, but it's always better to choose the ones that can offer a tailor-made solution for you.