ADVICE ON SALARY STRUCTURE.

(The organisation needed advise in calculating gross salary, net salary and fringe benefits.)

The payroll budget is a budget that is useful to the organization irrespective of any financial situation.

It is important that the gross salaries, net salaries and the fringe benefits are a fixed amount, payable by the organization at any given financial situation(good or bad), as it gives employees a sense of security if their salaries are fixed over a period of time. Therefore, the organization should make a payroll budget it can afford whether there is income surplus or income deficit.

Fringe benefits: These are the additional benefits given to employees asides the basic salary.Fringe benefits are allocated to each employee based on the percentage of their salary in the payroll. For example, if the budget for the gross salaries of all employees is $10,000, and an employee earns $2000

It is calculated that the employee earns 20% of the entire salary paid to employees. Therefore the same employee's fringe benefits will be calculated at 20% of the total amount of the fringe benefits for all the employees in the organization.

Gross salary: This is the basic pay of the employee. This is the salary the employees earn before fringe benefits are added and deductibles are removed.

Deductibles: It should also be determined alongside the payroll agency according to the state laws. The mandatory deductibles by the law takes up certain percentages of the employees gross salary. Therefore, each deductible should be made in accordance to the stated percentages.

Net Salary: This is the Amount Employees take home after all deductibles have been made. Gross profit less deductibles results in net salary.That is, Gross Salary- Deductibles= Net Salary.

Allocation: It is important to discuss with your payroll agency to know and determine the fringe benefits that are compulsory as well as other fringe benefits that you can offer. Once the types of fringe benefits have been determined (i.e health insurance, retirement plan, transportation), a budgeted amount must be allocated to each fringe benefit.

Documentation and presentation: You can categorize the gross salaries, net salaries, deductibles and fringe benefits into different sections to ensure proper understanding and easy documentation of each item.