Gross and Net Deductions/Payments

Payments and Deductions · https://paiyroll.com/kb/gross-and-net-deductions-payments/

Follow this article to understand the difference between gross and net deductions and payment *Pay Definitions*, and how to configure these for all cases.

Overview

By default, most **Payment** Pay Templates are setup as gross payments, and **Deduction** Pay Templates are set up as net deductions. No extra steps are needed to create and pay definitions for the typical cases. For each of these, you enter a usual *positive* value, and the payment will make the payment and the deduction will make the deduction based on the positive value. Therefore, 500 will make a 500 gross payment, and 100 will make a 100 net deduction.

If you need the two other cases, there are 2 options:

- Use a negative value (easy!)
- Setup a new Pay Definition to support positive values (in setup)

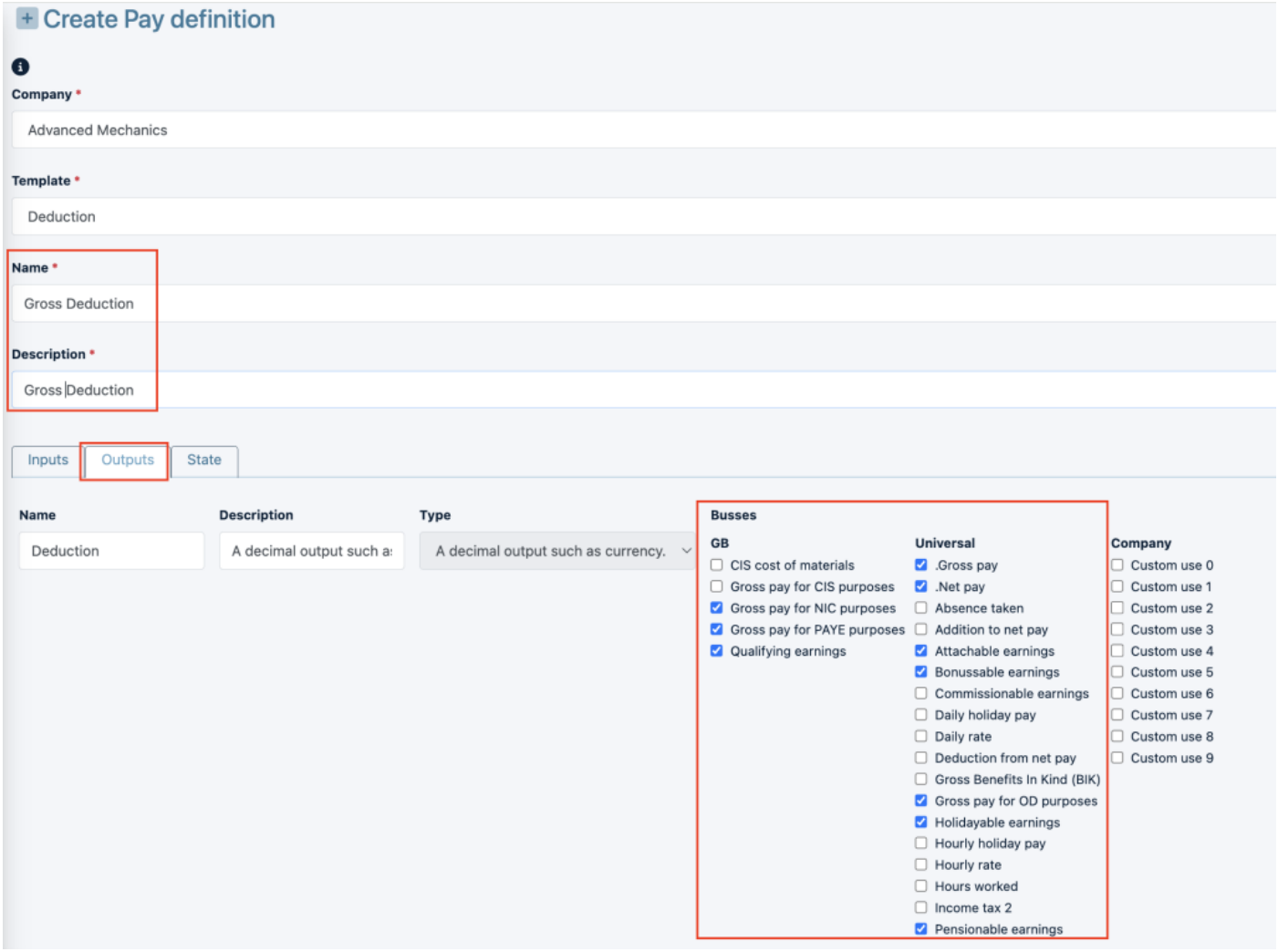
Easy Gross Deduction and Net Payment

Simply enter a negative value in **Payment** Pay Item; or a negative value in **Deduction** Pay Item. Therefore, -500 will make a 500 gross deduction, and -100 will make a 100 net payment.

Follow the steps below when the Pay Definition is created (added) to create named Pay Definitions, or where you prefer to enter positive values (rather than negative values). You can also update them after, in case you forgot to make the change when you created it.

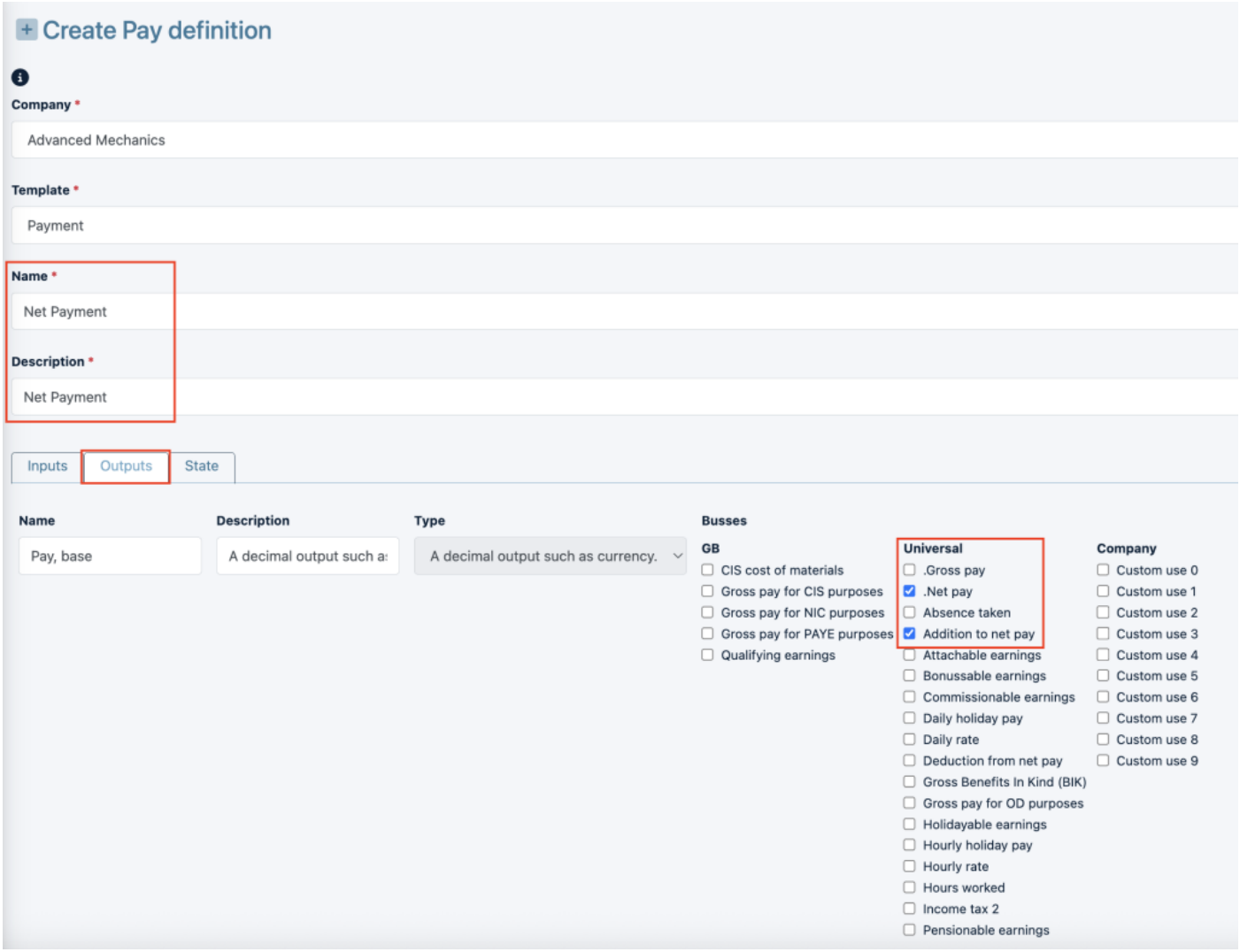
Gross Deduction

If you need to make a **gross** deduction**,** after adding the Pay Definition, clear all outputs, then set all the Pay Definition outputs as below and click **Add**. It is also a good idea to change the name and description:



Net Payment

If you need to make a **net** payment, clear all outputs and then set **Addition to net pay** and **.Net pay** outputs as below. It is also a good idea to change the name and description. Click Add:



Examples

	Pay Item examples	Pay Template to select	Pay Definition Outputs
Gross payment	Basic Pay Bonus Commission	Payment	-
Net deduction	Advance	Deduction	-
Gross deduction	Cycle to work	Deduction	Set all as above

	Pay Item examples	**Pay Template to select**	**Pay Definition Outputs**
Net payment	Expenses Tolls Parking Ex Gratia Payment	Payment	Clear all except **Addition to net pay** and **.Net pay**

Deduction Negative

Sometimes you may want to use negative values instead of positive values – for example, -100 for a 100 deduction. In this case, use the Deduction Negative Pay Template.