

# **Integrating SmartPayroll with Xero**

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# 1 Introduction

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SmartPayroll is a fully featured payroll system which provides all the reports, costing information, etc, which a small to medium sized business is likely to require from a payroll system for accounting purposes.

Running the payroll is only one aspect of running a business. Many business owners are more likely to be using an accounting system such as Xero, to assist in managing their business and would like to include Payroll data in their accounts.

Xero interface is a web based service, which means, SmartPayroll can automate the process of transferring data to Xero, with one click of a button. All that is needed is an internet connection.

It is not necessary to log on to Xero to import the data, the data is “pushed” into the company’s Xero account from the payroll software.

## 2 Glossary

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Pay components (SmartPayroll) and Accounts (Xero) – this collectively refers to everything that can be paid and deducted from an employee’s pay. This includes, but not restricted to ordinary pay, allowances, Employer Superannuation Guarantee and other deductions, employee tax and leave hours taken.

## 3 Matching Components

All pay components that go to Xero are to be coded. It is important that SmartPayroll and the client liaise to ensure codes for a component are the same in SmartPayroll and Xero accounting. For example if ordinary pay component in SmartPayroll is coded as 100, the same must be set up in Xero and vice-versa.

### 3.1 Identifying codes available in SmartPayroll

To enable a smooth set-up, it is ideal to have a browse through all the default pay components available in SmartPayroll application. Take note of all the components that your organisation will be using and ensure you match the codes for that payment in SmartPayroll and Xero. It is also a good idea to think of any other pay components that you may specifically need for your organisation, create them and also ensure to set up the component with matching codes in Xero.

#### SmartPayroll

Navigate to Company > Company Setup

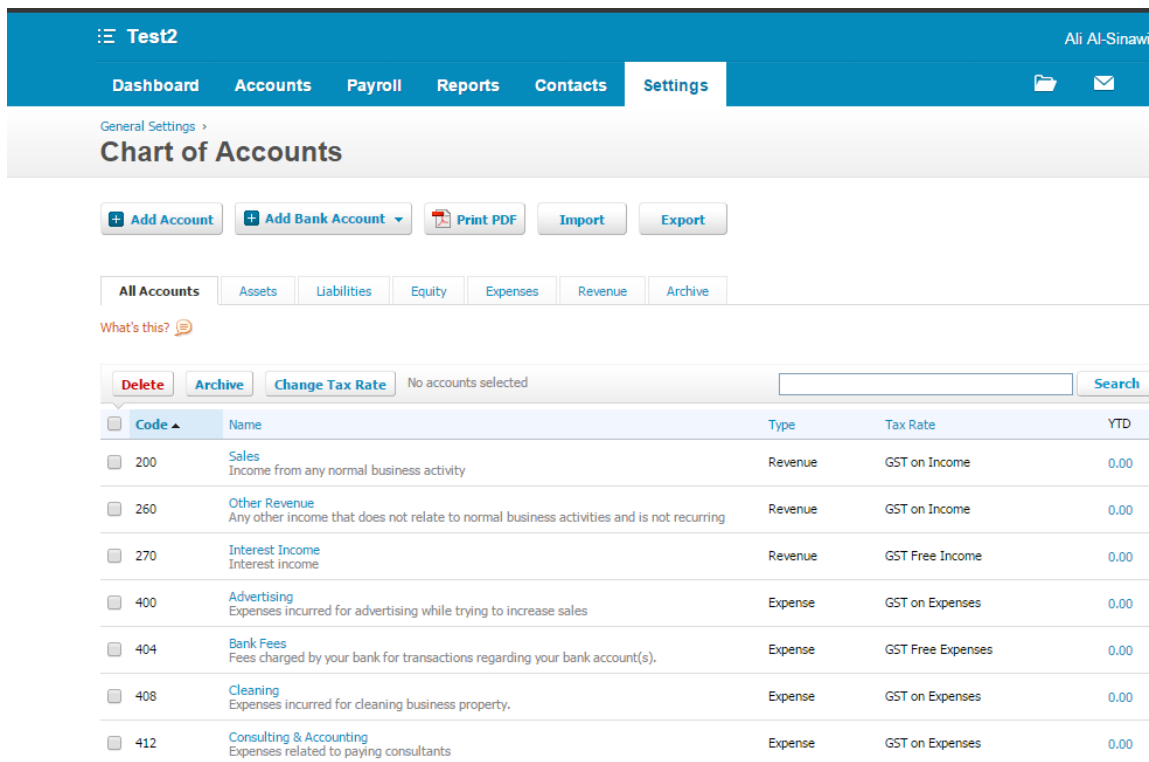
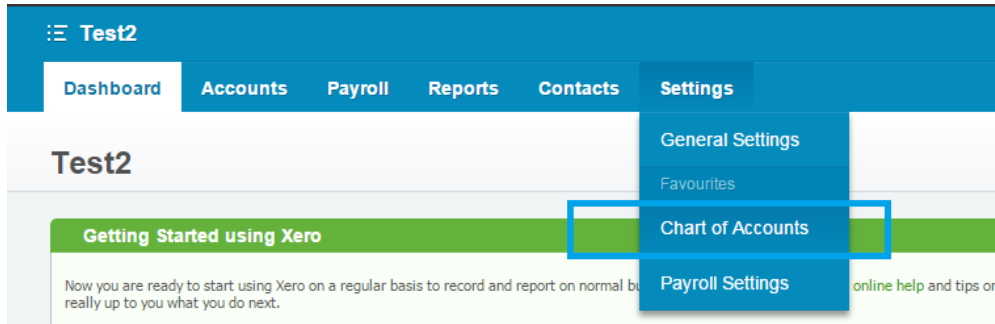
The screen shows all pay components and their codes. Category column identifies what type of component it is, i.e. allowance, payments or deductions.

The screenshot shows the 'COMPANY SETUP' page in SmartPayroll. The left sidebar has 'Company' selected, with 'Company Setup' highlighted. The main content area shows a table of pay components. The table has columns for Code, Component Name, and Category. The row for 'Contractual Bonus' (Code 240) is highlighted with a blue box. Other components listed include Redundancy, Sundry Non Taxable, Superable Sundry Taxable, Meal Allowance, and Director Fees. The table also includes edit and delete icons for each row.

Code	Component Name	Category
240	Contractual Bonus	Allowances
241	Redundancy	Allowances
242	Sundry Non Taxable	Allowances
243	Superable Sundry Taxable	Allowances
244	Meal Allowance	Allowances
245	Director Fees	Allowances

### 3.2 Identifying codes in Xero

Navigate to Settings > Chart of Accounts



In the chart of accounts screen you can:

- See all pay components available to this particular company in Xero
- Add account – create a new pay component type. For example, a Payroll component needs to be added here.

- Add bank account – add a bank account, credit card or paypal
- Print PDF – can print a PDF copy of all the pay components in the client’s Xero account
- Delete – delete a component
- Change the code of a component by selecting the row of the component name

### 3.3 Matching codes in Xero and SmartPayroll

Component codes need to be setup by SmartPayroll to ensure the values from Payroll are exported into the right accounting books. When more components are added for Payroll, you must ensure to create corresponding account in Xero as well to have the information flowing through accurately.

For information to flow through accurately, the codes in Xero and SmartPayroll are to match. Here you have two options:

- Match account codes in Xero to the pay components in SmartPayroll
- Match pay components codes in SmartPayroll to account codes in Xero.

#### **Our Recommendation:**

- Where an existing Xero client joins SmartPayroll change codes in SmartPayroll to match that in Xero.
- Where an existing SmartPayroll client joins Xero change codes in Xero to match that in SmartPayroll.

#### 3.3.1 Change component codes in Xero to match SmartPayroll

Navigate to Settings > Chart of Accounts

This will give you a list of all the components available in Xero.

Select anywhere on the row of the component you wish to change.

All Accounts   Assets   Liabilities   Equity   Expenses   Revenue   Archive

What's this?

Delete   Archive   Change Tax Rate   No accounts selected      Search

Code	Name	Type	Tax Rate	YTD
<input checked="" type="checkbox"/> 200	Sales Income from any normal business activity	Revenue	GST on Income	0.00
<input type="checkbox"/> 260	Other Revenue Any other income that does not relate to normal business activities and is not recurring	Revenue	GST on Income	0.00
<input type="checkbox"/> 270	Interest Income Interest income	Revenue	GST Free Income	0.00

Here, I have selected to change the code of component Sales.

The following box will populate:

### Edit Account Details ✕

**Account Type**  
Revenue

**Code**  
A unique code/number for this account (limited to 10 characters)  
200

**Name**  
A short title for this account (limited to 150 characters)  
Sales

**Description (optional)**  
A description of how this account should be used  
Income from any normal business activity

**Tax**  
The default tax setting for this account  
GST on Income

Show on Dashboard Watchlist

Show in Expense Claims

Enable payments to this account

**How account types affect your reports**

Profit & Loss

Income  
Revenue  
Sales  
Less Cost of Sales  
Direct Costs  
GROSS PROFIT  
Plus Other Income  
Other Income  
Less Expenses  
Expenses  
Depreciation  
Overheads  
NET PROFIT

Balance Sheet

Current Assets  
Current Assets  
Inventory  
Prepayments  
Plus Bank  
Bank Accounts  
Plus Fixed Assets  
Fixed Assets  
Plus Non-current Assets  
Non-current Assets  
TOTAL ASSETS  
Less Current Liabilities  
Current Liabilities  
Less Non-current Liabilities  
Liabilities  
Non-current Liabilities  
NET ASSETS  
Equity  
Equity  
Plus Net Profit  
TOTAL EQUITY

Save
Cancel

You can also modify where accounts appear in your reports using [Customised Report Layouts](#)

Make the necessary changes and select save.



## 4 Matching Costing

Payroll data from SmartPayroll can be exported to Xero based on division, cost centre or none. If Payroll data is to be exported by division or cost centre, then you must ensure the names match exactly in Xero and SmartPayroll for smooth transfer of data. If division is used to group cost at Xero, ensure that every division in SmartPayroll is unique. Similarly, if cost centre is used to group cost in Xero, then ensure every cost centre in SmartPayroll is unique.

### 4.1 Cost Setting in SmartPayroll

SmartPayroll allocates cost at 4 levels. They are: Company, Division, Cost Centre and Department. Costing will be set up by the SmartPayroll Consultants at implementation stage.

#### SmartPayroll

Navigate to Company > Cost Structure

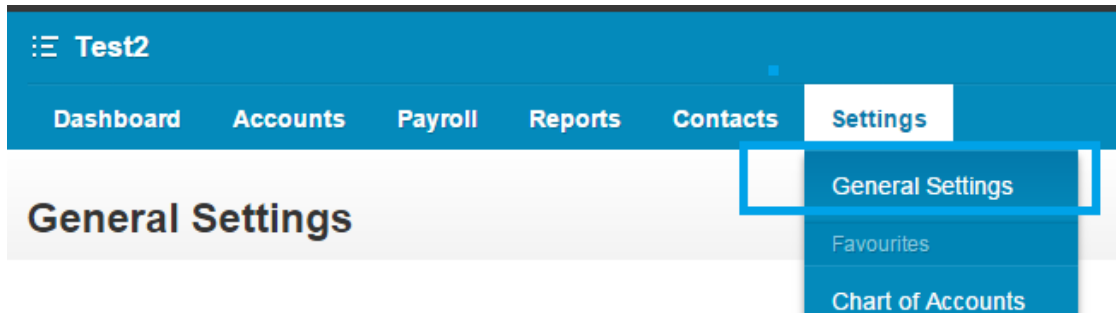
The screenshot displays the 'COMPANY COST STRUCTURE' interface. On the left, a dark sidebar contains a navigation menu with the following items: Pay Run, Employee, Company (highlighted in blue), Company List, Company Users, Company Details, Company Setup, Pay Template, Cost Structure (highlighted with a red box), Leave Requests, Bulk Imports, and Reporting. The main content area features a dropdown menu at the top set to 'ICC NZ (IC001)'. Below this, the title 'COMPANY COST STRUCTURE' is displayed. A tree view shows the following structure:

- ICC NZ
  - Wellington
    - Payroll
    - Sales
  - Auckland
    - Development
    - Sales
  - Hamilton
    - Consulting
    - Sales

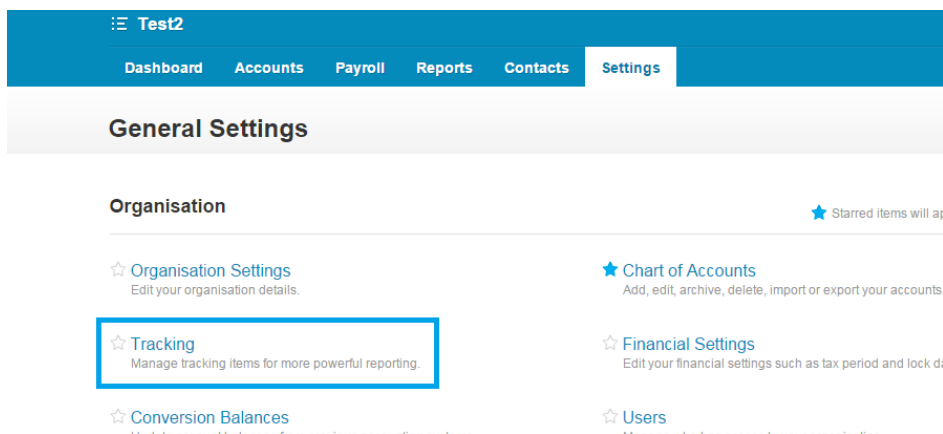
## 4.2 Cost Setting in Xero

Costing can be set up at Division or Cost Centre level in Xero.

Navigate to Settings > General Settings



Select **Tracking**



Tracking screen looks like below. Here this company has set up costing on cost centre and division. This means, when exporting data from SmartPayroll the client can import by either cost centre or division.

### Costing by Cost Centre

+ Add Tracking Category

Cost Centre Division

**Tracking category name**

Cost Centre

**Category options**

Auckland

Christchurch

Wellington

### Costing by Division

+ Add Tracking Category

Cost Centre Division

**Tracking category name**

Division

**Category options**

DES

DES2

DES3

### Adding Tracking Category


New Tracking Category (by either division or cost centre) be created by selecting this option.

You can have up to two Tracking Categories.

### Tracking Category Name

This gives the name of the tracking category. Ensure the names here match the names in SmartPayroll.

You can change the name by selecting the rename button.

You can also delete a tracking category by selecting the  button next to the cost category name.

### Company Options

Category options gives all the available categories set against that tracking category. Ensure that the company categories here match the names in SmartPayroll.

Just as the tracking category, you can also rename and/or delete a category option.

Note – the names are case sensitive and the names here should exactly match SmartPayroll.

#### **Add another option**

You can add another category option by selecting this option.

### **4.3 Matching Costing**

For payroll information to be cost allocated accordingly, the same codes must be used in Xero and SmartPayroll. There is some setting up required at Xero and SmartPayroll to allow for information to be imported accurately. Just as with pay components, Costing names can be changed in SmartPayroll to match Xero or be changed in Xero to match SmartPayroll.

Costing needs to be setup as a one-off initially to ensure the values from Payroll and going into the right accounting books. When more costing is added for Payroll, you must ensure to create the costing in Xero as well to have the information flowing through accurately.

Please note costing flows from SmartPayroll to Xero based on the costing names and not codes.

## 5 Exporting Payroll information from SmartPayroll to Xero

Once a pay has been successfully processed and finalised in SmartPayroll the Payroll information can be exported from SmartPayroll to Xero. To do this:

Navigate to SmartPayroll (URL – payroll.smartpayroll.com.au) and login with your credentials.

### Navigate to Reporting > Export Pay Details

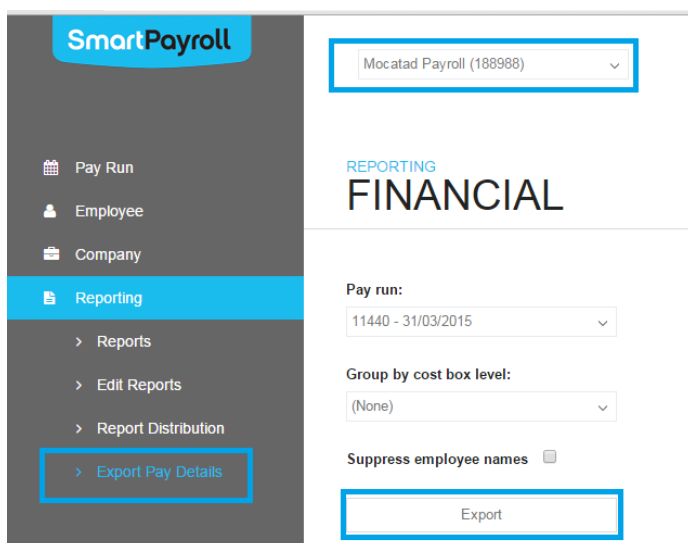
Select the following:

Pay run – each pay run is identified by an ID. Here select the pay run for which you would like to transfer information to Xero.

Group by cost box level – this can either be *none*, *division* or *cost centre*. This will correspond with a *Tracking Category* in Xero.

Suppress employee names - if this is checked, the line items in the exported bill in Xero will then hide the employee names. Leave this unselected to have the payments broken down by employees.

### Select Export Pay Details



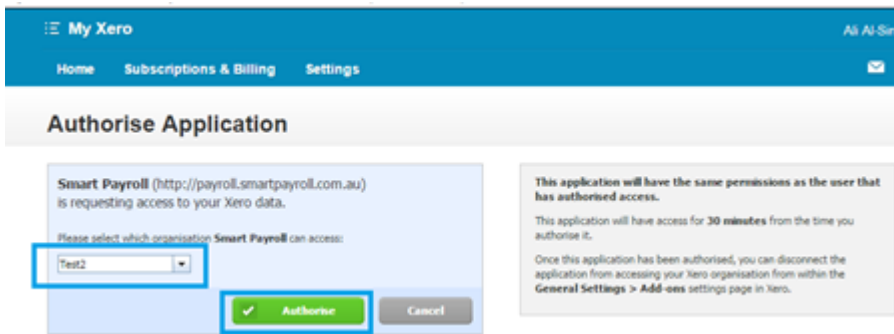
The screenshot shows the SmartPayroll web interface. On the left is a dark sidebar with the 'SmartPayroll' logo at the top. Below the logo are menu items: 'Pay Run', 'Employee', 'Company', 'Reporting', 'Reports', 'Edit Reports', 'Report Distribution', and 'Export Pay Details'. The 'Export Pay Details' item is highlighted with a blue box. The main content area is titled 'REPORTING FINANCIAL'. It features a dropdown menu for 'Mocataad Payroll (188988)', a 'Pay run:' dropdown menu with '11440 - 31/03/2015', a 'Group by cost box level:' dropdown menu with '(None)', and a 'Suppress employee names' checkbox which is unchecked. At the bottom of the main content area is an 'Export' button, which is also highlighted with a blue box.

**Authorise Application** box populates.

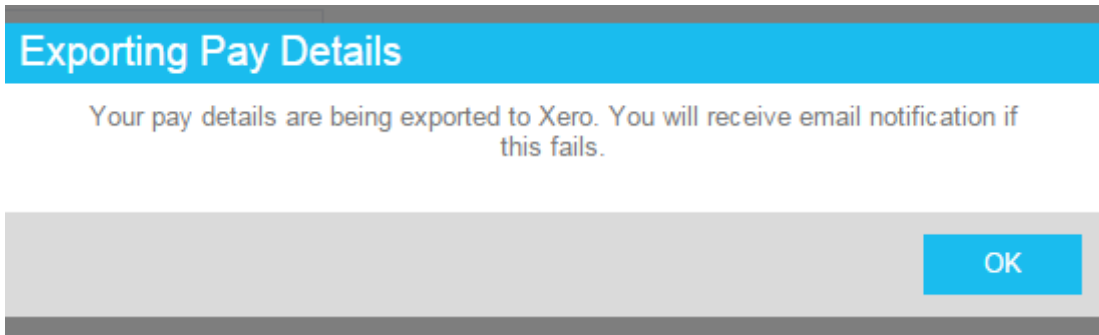
Here, select the company in Xero to which you are exporting the payroll information from SmartPayroll.

Here, the drop-down box will show the company to which the user has access to export data.

Select authorise.



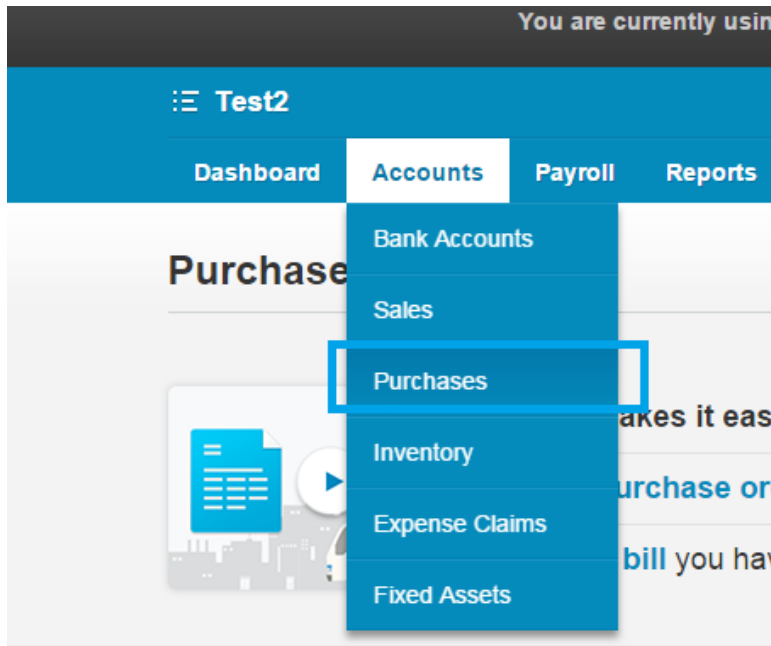
Once the Payroll information has been exported, the Xero box will disappear and the following box will populate in SmartPayroll.



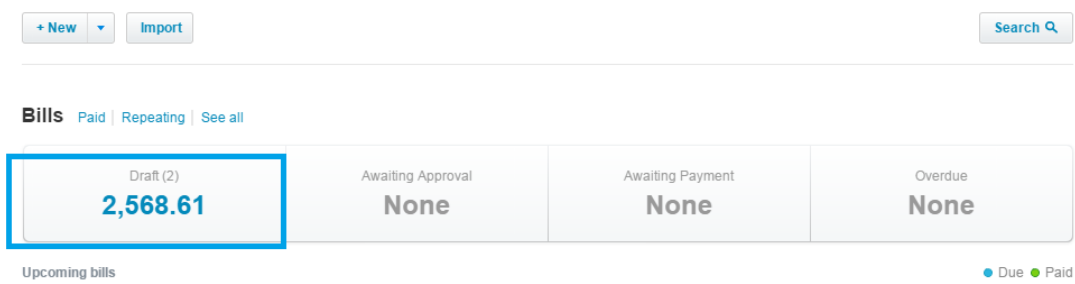
## 6 Receiving Payroll Information into Xero

The Payroll information will be sent to the clients Xero account as **Purchases**.

To access Purchases, in Xero, navigate to Accounts > Purchases



The exported file will be in **Drafts** under **Bills**.



Select Drafts to see the exported file in more detail.

Here, the system will show the following information in relation to a file:

From – where the file is from. Here, it will be SmartPayroll

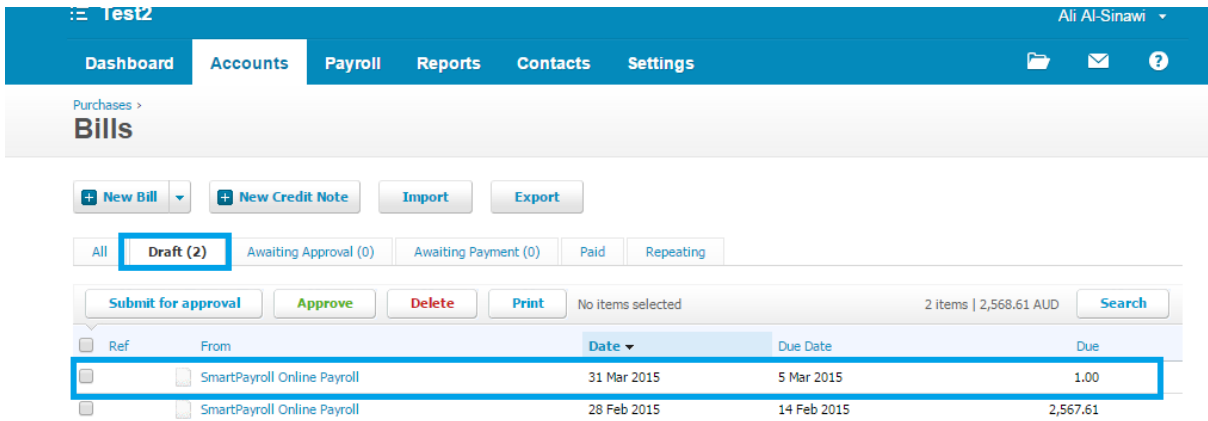
Date – period end date of the pay run

Due Date – direct credit date of the pay run

Due – the direct credit value of the pay run

From this screen you can check all files that are sitting in draft, files send for approval, files awaiting payment, paid and repeating.

From this screen the user is also able to submit for approval, approve, delete and print the file.



To have a detailed look into the import file, simply double click on the row of the file.

This opens up the Edit Bill screen below. Here, you can:

Change pay from date and due date details

Add reference

Repeat, delete or copy the bill

Add more lines of payments manually

Add notes to the bill



Purchases > Bills >

### Edit Bill

Draft ? Bill Options ▾

From	Date	Due Date	Reference	Total
SmartPayroll Online Payroc	31 Mar 2015 ▾	5 Mar 2015 ▾	<input type="text"/>	1.00

Currency: AUD Australian Dollar ▾ Amounts are: Tax Exclusive ▾

Item	Description	Qty	Unit Price	Account	Tax Rate	Division	Cost Center	Amount AUD
<input type="text"/>	Williams, Jane (1010)	1.00	1.00					1.00 ✕
Subtotal								1.00
GST								0.00
<b>TOTAL</b>								<b>1.00</b>

[Add a new line](#)

[Save](#) [Approve](#) [Cancel](#)

#### History & Notes ?

Created by System Generated on 31 Mar 2015 at 20:22p.m.  
Received through the Xero API from Smart Payroll

Show History & Notes (1 entry)

[Add Note](#)