

## How do I set up a Reducing Balance Deduction?

A reducing balance deduction is a deduction that is set up to pay off a set value from an employee's pay, eg. a garnishee or a loan. This feature allows for a deduction to be made each pay period until the balance has been reduced to zero.

The reducing balance is not a calculation type; rather it is a feature of two calculation types – Amount and Percentage.

### Example of a Reducing Balance Deduction based on Amount

When the reducing balance feature is used with the amount type, a specified amount is entered and this amount is deducted each pay period.

**EXAMPLE:** An employee has a company loan of \$2000 and pays \$100 off the loan each pay period. Therefore, the repayments consist of 20 equal deductions of \$100.

### Example of a Reducing Balance Deduction based on Percentage

When the Reducing Balance is used with the Percentage Type, a specified percentage is added.

**EXAMPLE:** An employee is paying back a \$2000 company loan at 5% each pay period. The amount paid varies each pay period. The first deduction is \$100 (5% of \$2000). The second deduction is \$95 which is 5% of the reduced balance (\$1900).

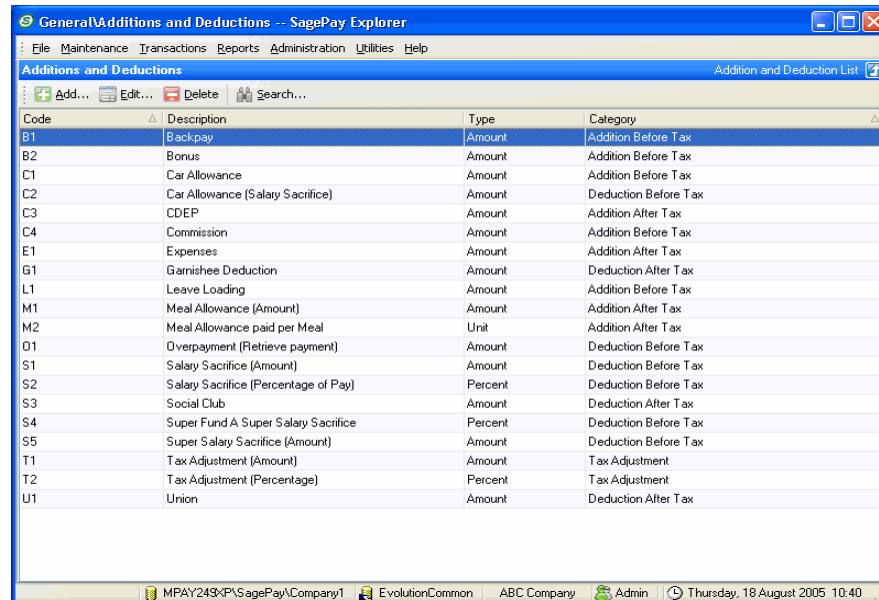
**NOTE:** Reducing balances can be used for additions and deductions, both before and after tax.

## Example - Setting up a deduction after tax

An employee had been given a company loan of \$2000. It is to be repaid at a rate of \$100 each pay period.

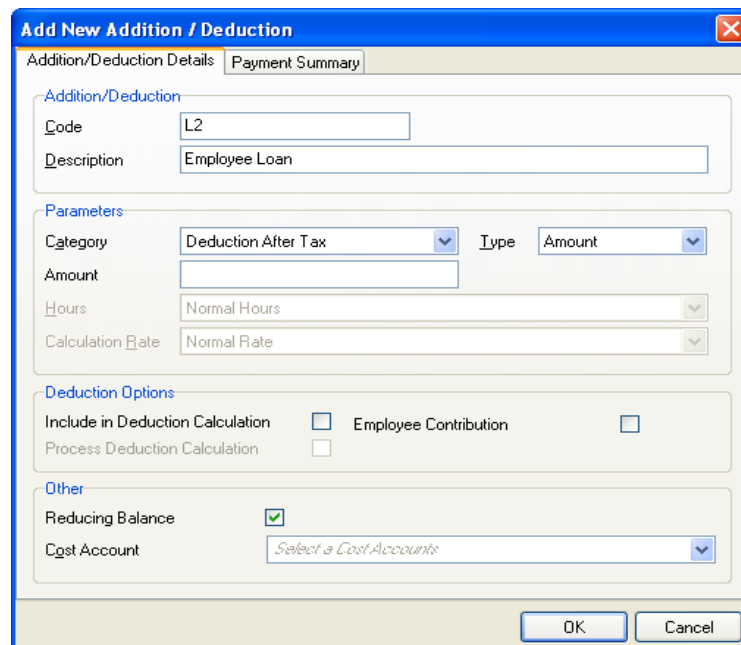
A deduction for a Reducing Balance needs to be set up in the Additions and Deductions lists and then attached to the Employee in the Employee Records.

- 1 Access [Maintenance > General > Additions and Deductions](#).



Code	Description	Type	Category
B1	Backpay	Amount	Addition Before Tax
B2	Bonus	Amount	Addition Before Tax
C1	Car Allowance	Amount	Addition Before Tax
C2	Car Allowance (Salary Sacrifice)	Amount	Deduction Before Tax
C3	CDEP	Amount	Addition After Tax
C4	Commission	Amount	Addition Before Tax
E1	Expenses	Amount	Addition After Tax
G1	Garnishee Deduction	Amount	Deduction After Tax
L1	Leave Loading	Amount	Addition Before Tax
M1	Meal Allowance (Amount)	Amount	Addition After Tax
M2	Meal Allowance paid per Meal	Unit	Addition After Tax
O1	Overpayment (Retrieve payment)	Amount	Deduction Before Tax
S1	Salary Sacrifice (Amount)	Amount	Deduction Before Tax
S2	Salary Sacrifice (Percentage of Pay)	Percent	Deduction Before Tax
S3	Social Club	Amount	Deduction After Tax
S4	Super Fund A Super Salary Sacrifice	Percent	Deduction Before Tax
S5	Super Salary Sacrifice (Amount)	Amount	Deduction Before Tax
T1	Tax Adjustment (Amount)	Amount	Tax Adjustment
T2	Tax Adjustment (Percentage)	Percent	Tax Adjustment
U1	Union	Amount	Deduction After Tax

- 2 Click on the **Add** button.



**Add New Addition / Deduction**

Addition/Deduction Details | Payment Summary

**Addition/Deduction**

Code: L2  
Description: Employee Loan

**Parameters**

Category: Deduction After Tax | Type: Amount  
Amount:   
Hours: Normal Hours  
Calculation Rate: Normal Rate

**Deduction Options**

Include in Deduction Calculation  Employee Contribution   
Process Deduction Calculation

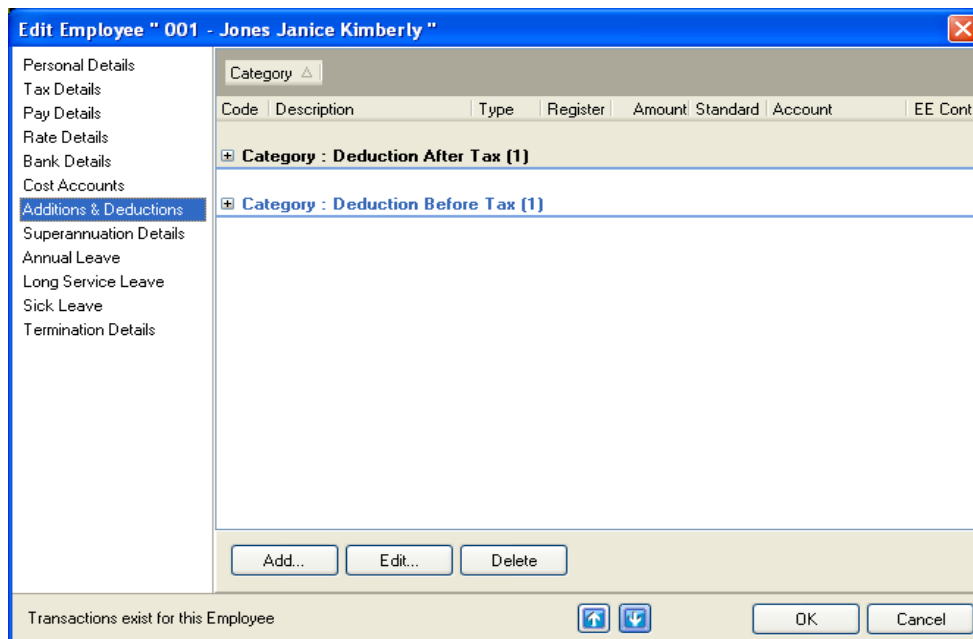
**Other**

Reducing Balance   
Cost Account: *Select a Cost Account*

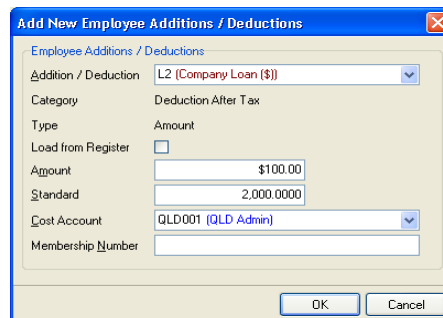
OK Cancel

- 3 Type in a **Code** and **Description** in the Addition/Deduction section.
- 4 Select Deduction After Tax from the **Category** drop down list and ensure the **Type** is set to Amount.

- 5 In the Other section, tick the **Reducing Balance** check box. The **Reducing Balance** check box indicates that the deduction (such as a loan or garnishee), will be paid off by deducting the employee's pay by a set value per period until the total value (Standard) has been recovered. A reducing balance is only applicable to Amount and Percentage types.
- 6 Click on **OK** to save the information.
- 7 The deduction can now be attached to the applicable employee. Go to [Maintenance > Employees > Employees](#) and select the employee.
- 8 Select the **Additions & Deductions** option.



- 9 Click on the **Add** button in the Additions & Deductions data window.



- 10 Select the Deduction Code from the **Addition/Deduction** drop down list. The details for this code will appear.
- 11 Deselect the **Load from Register** check box so that you can enter the specific details for this employee.
- 12 In the **Amount** field, enter \$100, which is the amount that the employee will repay each period.
- 13 In the **Standard** field, enter \$2000, which is the total amount of the loan.
- 14 Click on **OK** to save the Deduction information and then click on **OK** to save the employee record.

Note: This Reducing Balance Deduction will automatically delete itself from the employee record when the figure owing has been repaid in full.

Note: A Reducing Balance Deduction can also be picked up as a Non-standard Deduction through Transaction Entry.