XERO PAYROLL GUIDE

Updated August 2026

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Payroll Guide

This document provides a **general overview guide** that provides general guidance on how to complete the payroll functions using Xero. As there are many situations that arise with payroll, it does not capture every scenario.

Each Parish should establish and document its own internal working procedures to ensure that employee records and approvals are maintained according to legislation. There is a lot of employment legislation that needs to be adhered to so please ensure you keep update with employee legislation requirements, a good resource for that is the https://www.employment.govt.nz/

The best guides for Xero are written by Xero and below is where you can find help. A lot of this guide is directly from the Xero guides.

1. Xero Central (Official Help Articles)

- Go to **https://central.xero.com**
- Search for topics like:
    - "how to pay a final pay"
- Contains step-by-step guides, screenshots, and videos.

Xero Trainings on Payroll

Xero have prepared a short video series of trainings on Youtube, they are only 4-5 minutes long so easy to watch.

Please watch them all here:

1. Payroll Set Up
2. Add your employees
3. Your first pay run
4. Get the most out of Xero payroll
5. Payroll user roles and access

Commonly asked questions

Can I pay employees out of different bank accounts?

No, you can only pay out of one bank amount using an exported bank file. You can set up the payments manually in the bank from two different accounts and pay the net pay to each employee. If you want to change the bank account that payments are set for exported bank file payments, you can change this in Payroll – Payroll Settings.

How do I change what department or branch an employee is coded to?

Employees can be coded either to a branch or to a department but not to both. You can change if you want employees coded by branch or department by going to Payroll – Payroll Settings – Organisation, and the option is there under payroll tracking.

An employee's branch or department is set in their own employee profile under employment information.

If you want to split costs to different branches or different departments, you can do this by filling out a timesheet for the employee which gives you the option to allocate time to either a department or branch (depending what the setting is for timesheets in the payroll settings).

How can I change what general ledger account an employees wages is coded to?

The general ledger code is determined what pay item an employee is set up under. To find the pay items lists and codes you can go Payroll - Payroll Settings – Pay Items. Here you will see the name of the pay items and what account code they are assigned to. You can add more pay times here if you need to add or change what codes are required. For example, you could have Ordinary Time – Admin assigned to the 3320: Other Parish Staff – Salary Admin and you could have Ordinary Time – Other assigned to the 3330: Other Parish Staff – Organist/Verger/Other.

If you have a contractor this is where you set up a Withholding Tax pay time and then you can have a pay item for Contractor – Organist or Contractor Cleaner and have them coded to the correct account codes.

To assign the pay item or to check what pay item is assigned to an employee, you go to their employee Xero profile and look under employment information, Pay and work pattern. Click on an existing Pay and Work pattern, and then you will see what pay item is selected. If you need to change this then you need to add "new details" and select the correct pay item.

Does Xero make payments to the employees bank accounts?

No, Xero is used to process the payrolls and file the payday filings with IRD but a bank payment still needs to be set up and approved in online banking.

Xero Setup

Payroll access

Xero Payroll access has been given to each parish treasurer. If someone else will be setting up/managing the payroll then that user will need to be given access in the Xero settings tab, under Users.

Click for instructions on how to add payroll admin access

The manage access authorisation has been given to all treasurers that have advised TIML that their parish is making their own bank account payments and so the parish will be able to add the payroll access to that user, otherwise please advise who needs access to parishsupport@trustmanagement.co.nz.

DataPay Files

You will need a copy of the DataPay employee master files to set up payroll. Please request from parishpayroll@trustmanagement.co.nz if you have not received it.

IRD access

The person processing the payroll in Xero will need their own login to the IRD to file the payday filings automatically. Otherwise, a user who has IRD access and Xero access will need to post and file in Xero or enter the details manually into the IRD website within 2 days of the employee getting paid.

To get access to the IRD, each person needs to have written approval from the vestry authorising them to have access.

Please email the approval to parishsupport@trustmanagement.co.nz.

Payroll Setup

To get to the payroll setup page:

1. In the **Payroll** menu, select **Payroll overview**.
2. Click **Set up payroll**.

Before you set up your organisation with payroll, Xero ask a few questions to help get a better understanding of your payroll needs. The questions are around how many employees you have, how experienced you are using payroll software and which software you've used previously.

If you don't want to answer the questions, you can skip them and go straight to setting up payroll.

Set up payroll accounts

To set up payroll accounts:

1. In the **Payroll** menu, select **Payroll overview**.
2. Click **Add Payroll Accounts.**
3. Under **Bank account**:
    - If the bank account for wage payments is already in Xero, select it from the bank account list, then click **Next**.
    - Please note you can only pay all wages from one bank account, so you will need to make a separate manual transfer if you want to pay out of two accounts.
4. Select your PAYE liability accounts as **9121- PAYE Payable**, then click **Next**.
5. Select your Wages Payable accounts also as **9121- PAYE Payable** , (yes it is correct that this is the same as the PAYE liability account) then click **Next**.
6. Select your Wages Expense account as the account that most of the salaries are paid from. This is where they will all be coded by default but different salaries can be put in different account codes when the pay items are set up.
7. Click **Close and back to setup**.

Set up pay frequencies

Pay frequency determines how often you process pay runs and the dates employees are paid. The payment date you choose determines the tax period it falls under.

To set up a pay frequency:

1. In the **Payroll** menu, select **Payroll overview**.
2. Click **Add Pay Frequencies**.
3. Select the frequency of payment.
4. Give the pay frequency a name.
5. Enter the start date of the pay period and the first date of payment. You will be able to find the dates on the payroll schedules sent by Trust Management with the regular payroll information. Set the first day as a day after a payroll. This can be updated later if the payroll transition from TIML does not happen by then.
6. Click **Next**. If everything is correct, click **Next** again to confirm the pay frequency settings.
7. Click **Add another pay frequency** or **Close and back to setup**.

Set up tax details

To set up taxes:

1. Click **Payroll**, then select **Payroll settings**.
2. Select the **Organisation** tab.
3. Under **Payroll Filing**, enter:
    - **Employer IRD number for payroll (**this is usually the same as your GST IRD number but they can be different so double check on the IRD website.
    - **Employer Size** – as appropriate.
    - **Opening Balances Date** – This is the date that you'll start monthly reporting to IRD from Xero. The date is based on the payment date of your first pay run. Please select 1 April 2026 (this can be updated later) or 1 May if happening in May etc.
4. Click **Save**.

If additional people need access to the IRD for processing payroll then you can appoint them as an executive office holder:

https://www.ird.govt.nz/managing-my-tax/getting-someone-to-act-on-my-behalf/executive-office-holders/appoint-an-executive-office-holder-to-act-on-my-behalf

Set up Pay Items – This where you control what expense line the wages will be allocated to

There will be by default the most commonly used pay items here.

If you want to code salaries to different expense accounts then you will need to set up a "Ordinary Time" pay item for each account code.

Select - Add – Regular earnings

Enter "Ordinary Time – [description] for example Ordinary Time – Admin

Expense Account – select the salary code for that type of work, for example, Salary Pastoral Work or Salary Admin.

This code also needs to be added when setting up the employee into their pay template when setting up the employee

Add tracking and your company logo

1. Click **Payroll**, then select **Payroll settings**.
2. Select the **Organisation** tab.
3. Under **Payroll Tracking**, select groups and categories to activate payroll tracking.
4. Under **Company Logo**, click **Upload Logo** to add it to your profile so it can be used in printed documents such as payslips.
5. Click **Save**.

Set up an Employee

To enter an employee's personal details:

1. In the **Payroll** menu, select **Employees**.
2. Click **Add Employee or Add contractor**, then select **Add New**.
3. Enter the personal information for the employee.
4. Click **Save & next**.

To enter a employee's employment information use the employee details print out from DataPay:

1. In the employee's record, select **Employment information**.
2. Under **Employment type**, select **Permanent**, **Fixed Term** or **Casual (no set hours)**
3. Enter the employee's **Start date** and select their frequency of pay.
4. (Optional) Select the employee's **Holiday group [determines what public holidays they are eligible – usually this is Auckland (unless they work out of Auckland)** and **Employee group [branch/department]**.
5. Under **Pay & work pattern**, click **New details**.
6. Select the employee's **Earnings pay item**, then select **Annual Salary** or **Hourly Rate** depending on what their contract says. Most cases this is hourly rate.
7. Enter the employee's salary or hourly rate.
8. Select their **Work pattern type** and enter their details.
9. Click **Add**, then click **Save**.

To manually enter past earnings use the historic pay report from Datapay:

1. In the employee's record, select **Past earnings**.
2. Select **Manually entering details**.
3. Click **Estimate past earnings**, then click **Confirm**.
4. Review and edit the estimated pay lines to the actual amounts for the past year's worth of pays from the previous payroll system.
5. Add any additional lines for any extra pay, such as bonuses.
6. Click **Save & next**.

Taxes

To enter an employee's tax, student loan and KiwiSaver information:

1. In the employee's record, select **Taxes**.
2. Enter the employee's **IRD number** and **Tax code**.
3. Select the **Employer Superannuation Contribution Tax Rate**. See the Inland Revenue website for guidance. You can usually work this out by dividing the ESCT by the Kiwisaver Employer Contribution (KSC) from a Pay register report from DataPay (sent after each pay to the parish). In the example below the ESCT would be (1.89/18.34) x 100 = 10.5% (approx.)

KSC	KiwiSaver ER	3% Of Taxable Earnings. $-18.34 less ESCT of $-1.89	-16.45

4. (if applicable/optional) Enter the employee's student loan information.
5. Enter the employee's KiwiSaver information.
6. Click **Save & next**.

Leave

1. **Annual Leave** – set this as 4 weeks per year and it will prorate the days and hours if they are part time.
2. Date when entitled to annual leave – enter their start date
3. **Sick leave** – Enter sick leave annual entitlement as 10 days a year and maximum accrued is 20 days a year.
4. Date when entitled to sick leave (this will be in their contract, and is either the day they started or 6 months after they started employment).
5. **Leave balances** – leave these empty until you know what date you are migrating from DataPay as they will need to be current as at the transition date.

Pay Template

This is the default set up for the payrun. You will need to add "Add new earnings" if you want the pay for this employee to a different salary account than the default (which can be set up or edited in the Payroll Settings – Pay Items as noted above)

Payment Information

You can add up to four bank accounts to pay a permanent employee. The current bank account is on the employee details information provided by Parish Payroll from DataPay.

To add an account:

1. In the employee's record, select **Payment information**.

2. Enter the **Account name** and **Account number**.
3. (Optional) Click **Show additional details** to enter information to display on the employee's bank statement.
4. (Optional) Click **Add another bank account** if the employee wants to split their pay across bank accounts.
5. Click **Save**.

Xero isn't a payroll intermediary so no payments are made directly. Pay your employees using the payment file with employee bank account details generated after each pay run, upload to bank and get the payment authorised.

How to process Payruns.

Here is a link with the information on how to run a payrun:

https://central.xero.com/s/article/Process-a-pay-run-and-pay-employees-NZ

Training Video

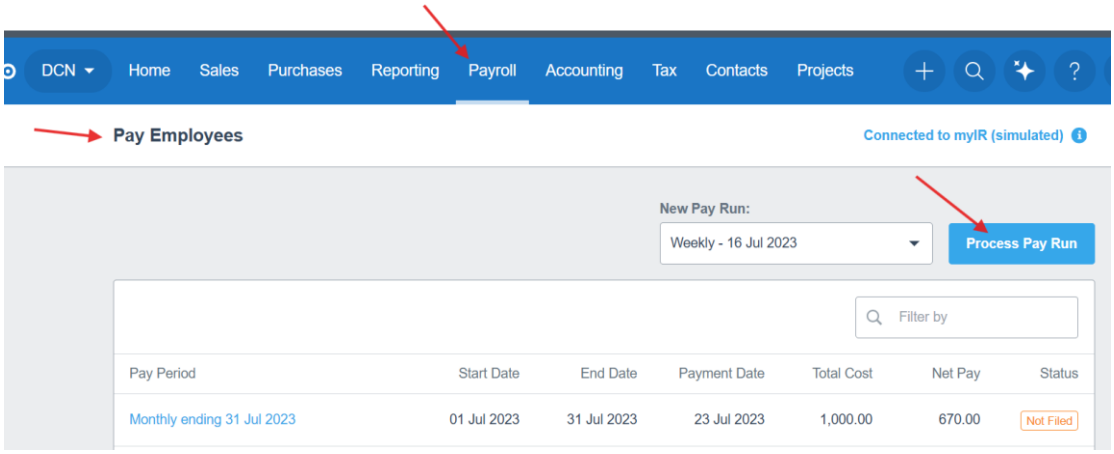
https://www.youtube.com/watch?v=J7ZVh4H8a3Y&list=PLPFqqCF-yvtrugxBtIAY9oSq6rmLvJy0n&index=3

Remember you will always also need to upload the bank batch file to the bank to pay the employees or enter the net pay manually and pay the PAYE on 20th of following month.

Create a draft pay run

Before creating the draft pay, ensure that all leave has been entered and approved for that period.

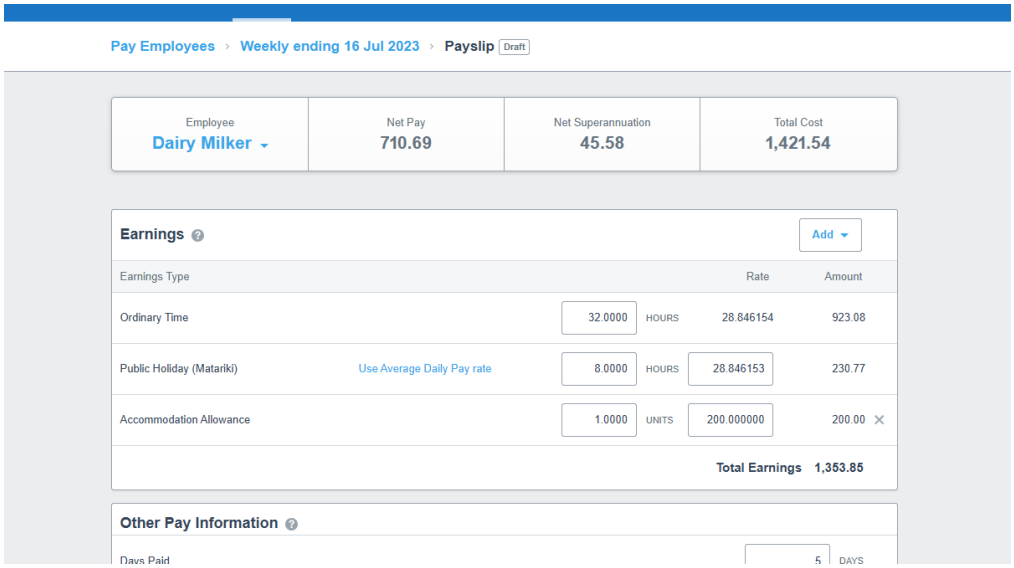
1. In the Payroll menu, select Pay employees.
2. Under New Pay Run, select a pay period.
3. Click Process Pay Run and check the pay run dates.



Then you click on the line with the Pay Period date that you ware processing. This will open up the payroll so you can see what hours are included.

Once the payroll is open, then click on the employees name and it will open up the details for that person.

It will give you the ability to write over the number of hours a person has worked, if they have worked more or less hours than their standard hours or they are casual employees.

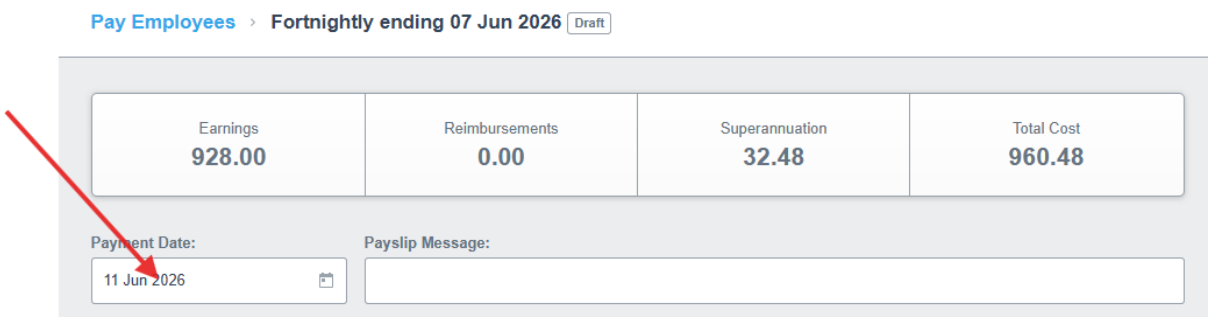


The tax and kiwisaver will be calculated automatically.

A public holiday will automatically be added to the payroll if that person has that day as a standard working day. Any approved leave will automatically appear in the pay run.

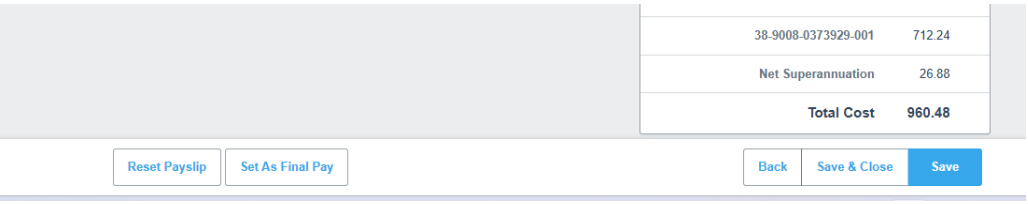
Payment date

The payment date is preset but you can make a one-off change to the payment date by editing the draft pay run. To permanently change pay run payment dates, edit the pay frequency. The field for the date is at the top of the payrun that you are processing.



Reset Payslips

Reset payslips or the pay run when you update the employee's record or payroll settings. The reset is at the bottom of their draft pay for that period.



If you make changes to an employee's record or payroll settings after creating a draft pay run, you need to reset the employee's payslips or pay run. This will update the pay run with the changes you made.

If you approve a leave request that falls within the same pay period of a draft pay run, the draft pay run will automatically reset.

If you've manually added additional pay items, you'll need to re-enter these as resetting the payslips will remove any manually added items.

To update an individual employee's payslip:

1. Click the draft pay run.
2. Click the affected employee's name.
3. Click Reset Payslip.
4. Click Yes to confirm.

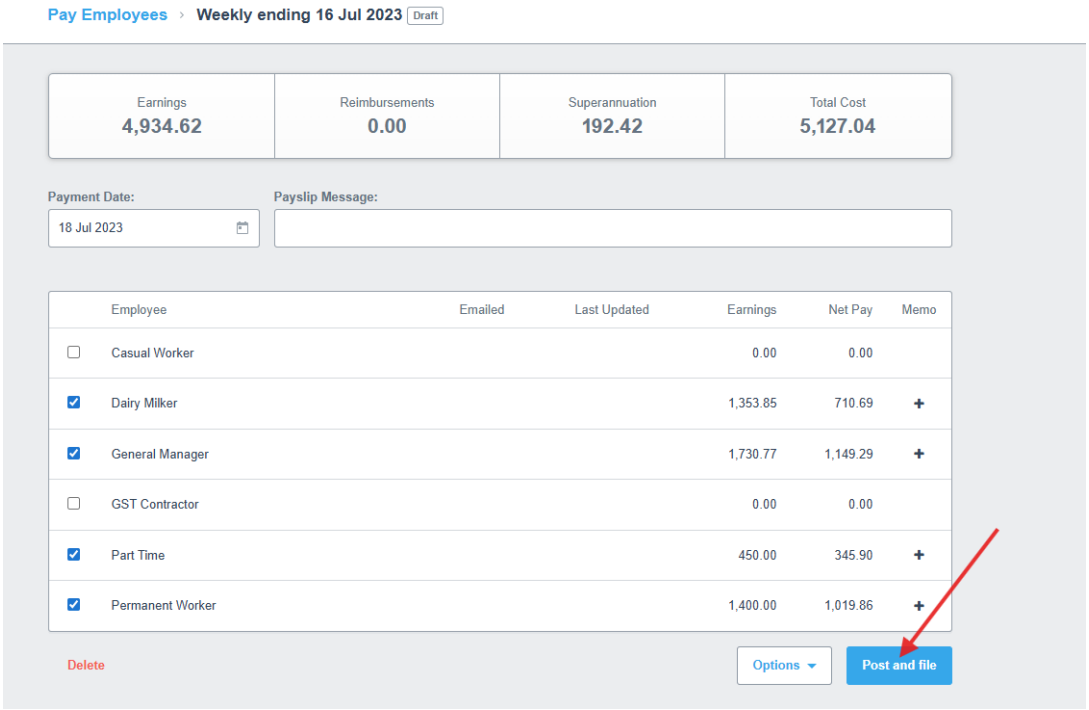
To update all employee payslips:

1. Click the draft pay run.
2. Click Options, then select Reset Pay Run.
3. Click Confirm.

Finalise a Draft Pay Run & Pay Employees

Step 1 – Post and File

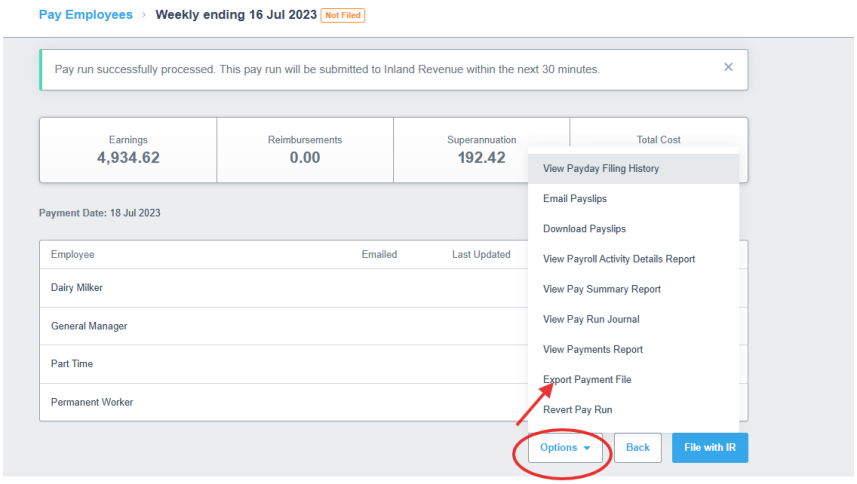
Once you have created the payrun and are happy with the hours for each person, then you will need to press "Post and File". If the button just says Post that means you are not connect to the IRD, and will not be able to file the tax details automatically. Post and File will send the tax information to the IRD for payday filing.



Step 1: Pay employees

Pay employees with a bank file import

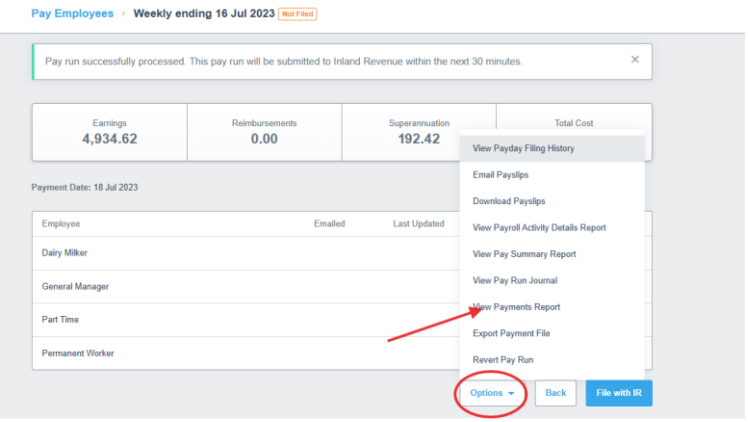
1. Once the payrun has been posted then under the options button, appears the option to "export payment file".
2. If you select this, it will download a bank file into the downloads folder on your computer.
3. Login to your online banking, and while each banking system is different there will be an option under payments similar to "Import File" or "Pay bulk Creditors" or "Batch Payment".
4. Select this option and you will find an area where you click to import the file, select the file from your down loads folder.
5. Save and authorise the payment.
6. Ask the second authorise to approve the payment in online banking.



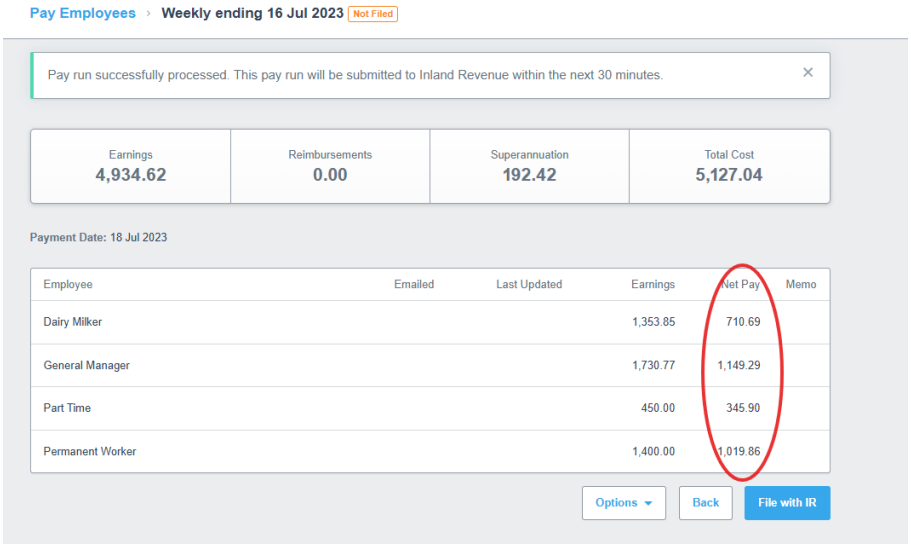
Pay employees manually

You can pay employees manually by setting them up as payees in you online banking and then entering that they paid the “Net Pay”.

The amounts can be found under options, View Payments Report.



Or are the figures listed as Net Pay in the payrun.

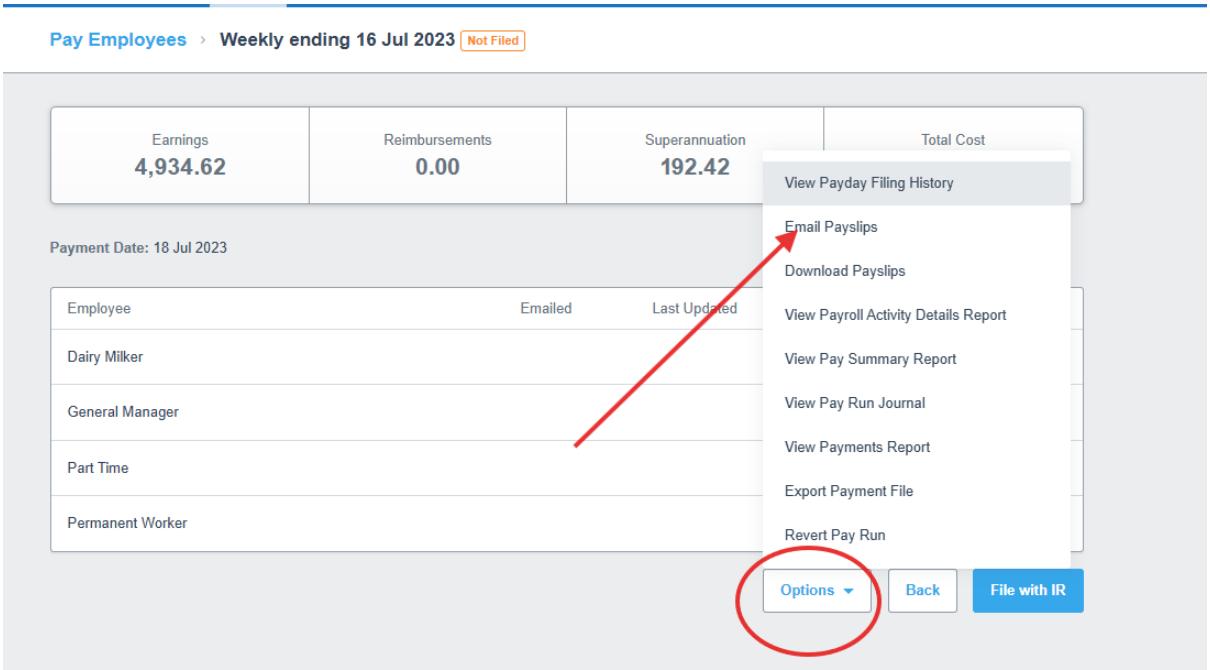


Step 3: Email Payslips

Ensure each employee as their email address entered in the employee details.

Payroll – Employee Management – Employees

You then have the option to email payslips to each employee.



Entering Leave

Enter an employee's leave request

1. In the **Payroll** menu, select **Leave**.
2. Click **New**.
3. Select the employee.
4. Select a leave type, then enter details for the leave request.
5. Review and edit the number of hours to be paid.
6. For leave tracked in days, review and edit the number of days.
7. Click **Approve**.

Public holidays will be automatically included in each eligible employees payrun and so do not need to entered separately.

If you need to change the start date or type of leave then you need to decline the leave and then enter a new request.

Employee works on a public holiday

When an employee works on a public holiday in New Zealand, at June 2026 they are legally entitled to be paid **time-and-a-half** for the exact hours worked. If the holiday falls on a day the employee would normally work, they must also receive a **paid alternative holiday** (a day in lieu). [

Key Entitlements

- **Working Hours:** You are only required to work on a public holiday if it is stated in your **employment agreement** and falls on a day you would usually work (an "otherwise working day").
- **Pay Rate:** You must be paid at least **time and a half** for the actual hours worked. This is calculated using your Relevant Daily Pay (RDP) or Average Daily Pay (ADP) for the time worked, plus half of that amount again.
- **Alternative Holiday:** If the public holiday is a day you usually work, your employer must give you an **alternative paid day off** to be taken at a later date

Please refer to Employment New Zealand to check the latest legislation in case this situation has changed: https://www.employment.govt.nz/leave-and-holidays/public-holidays

Paying time and half

Add a custom time and a half pay item

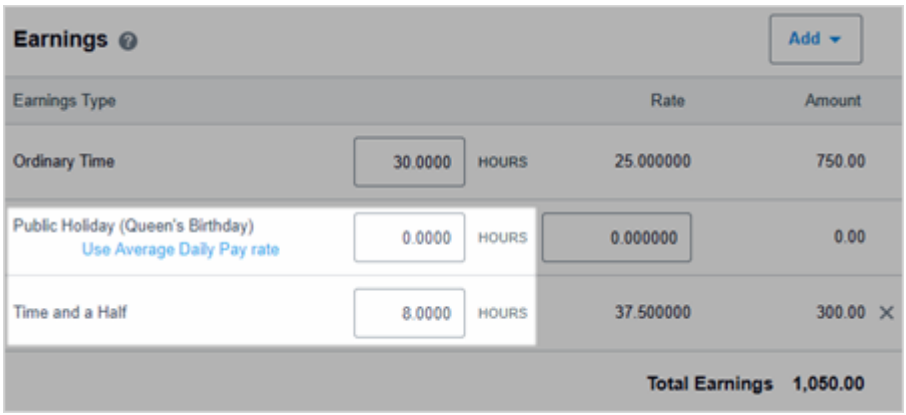
Add a custom pay item to show the paid public holiday on your employee payslips, either at their normal rate, or a penalty rate.

1. In the **Payroll** menu, select **Payroll settings**.
2. Select the **Pay Items** tab.
3. Click **Add**, then select **Other Gross Earnings**.
4. Enter the pay item details with Rate Type as "**Multiple of employee's regular earnings**" at a multiple of 1.5.
5. Click **Add**.

Add the pay item to an employee

Add the custom pay item to the employee's payslip in the pay run period the public holiday falls in.

1. In the **Payroll** menu, select **Pay employees**.
2. Click on the pay run for the period that includes the public holiday.
3. Click the name of the employee to open their payslip.
4. Next to **Earnings**, click **Add**, then select the pay item.
5. Under **Earnings**, enter the number of hours that the employee worked and change the hours for the public holiday that the employee worked to zero.



6. Click **Save.**

You can now process the pay run.

Adding alternative day to the employee

1. Go to Payroll – Employee Management – Employees and open the employee record.
2. Go to leave
3. Select “+ Assign leave type”
4. Select Leave - Alternative Leave and Schedule of Accural – No Accural
5. Increase the opening balance by the number of days they are due.

PAYE

Payday Filings

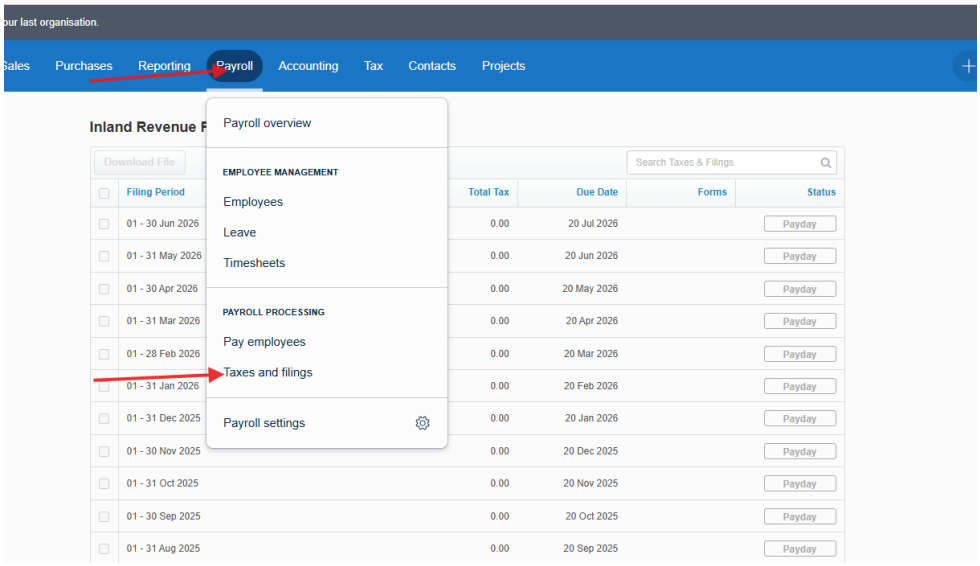
Xero will automatically file the PAYE report with the IRD.

Due dates for Tax

PAYE will need to be paid by bank payment which is set up manually in the bank. This is due the 20th of the following month for the prior month.

Balance to pay

Check the IRD employer PAYE online filing to see how much you owe if you have migrated part way during a month as you will need to include what Trust Management filed for you too. Otherwise, you can check the amount due in the Payroll – Taxes and Filings tab.



Paying tax in online banking

Online banking has a separate area for paying Taxes, so you do not need the IRD's bank account number. You will need your IRD number and also you select that you are paying Tax Type – "DED Employer – PAYE Deductions".

Reconciling Bank payments for wages

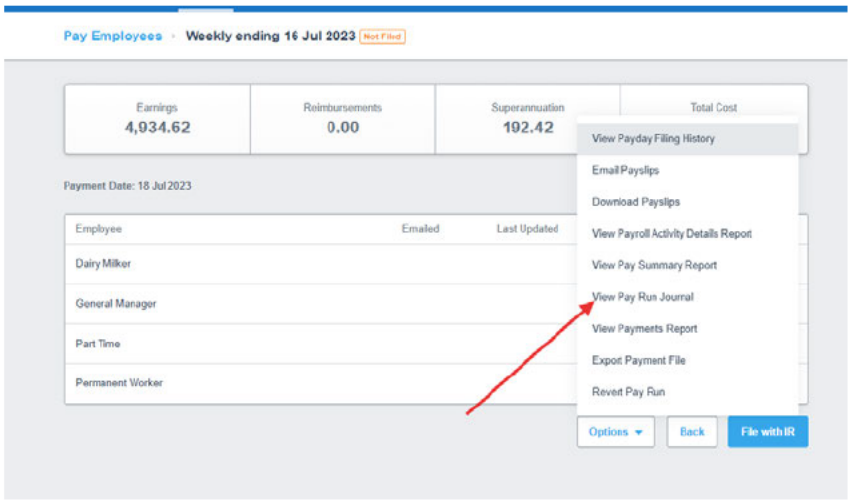
When the bank statement lines appear in the bank to be reconciled, all wage transactions are reconciled to **9121-Paye Payable (as this is also wages payable**). If you code the bank payments to the salary expense codes instead it will double the salaries paid in the profit and loss.

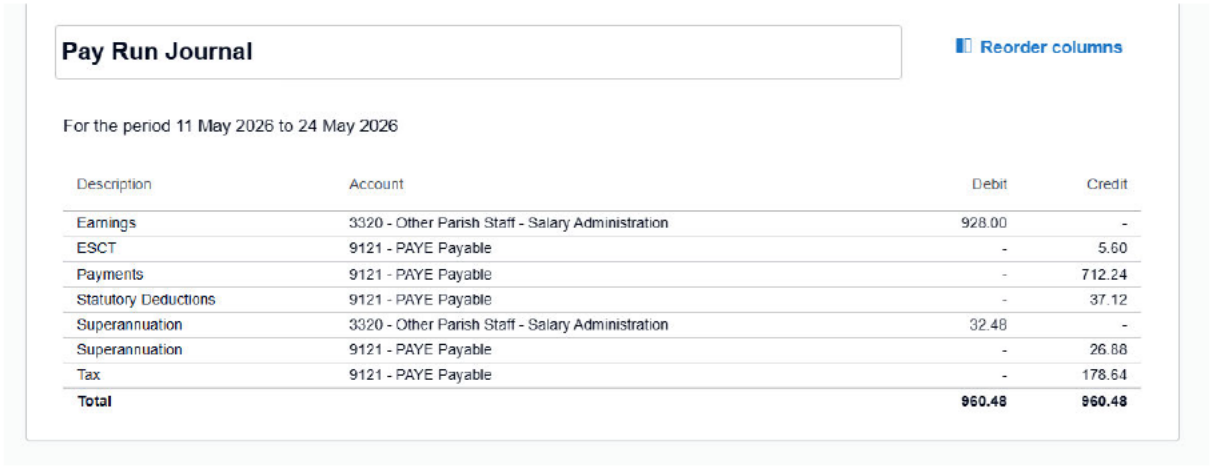
The coding to the salary expense codes is done when you process payroll where a journal is created.

The salary codes that each person wages goes to is controlled in the payroll settings – Pay Items as mentioned above.

Payroll Journal & Seeing How the Payroll Is Coded

The coding for the payroll is posted at the time the payroll is processed with the date of the payrun. If you want to see where the pay items have been coded for the payrun then you go to the payrun, options, and select





Pay Run Journal

Reorder columns

For the period 11 May 2026 to 24 May 2026

Description	Account	Debit	Credit
Earnings	3320 - Other Parish Staff - Salary Administration	928.00	-
ESCT	9121 - PAYE Payable	-	5.60
Payments	9121 - PAYE Payable	-	712.24
Statutory Deductions	9121 - PAYE Payable	-	37.12
Superannuation	3320 - Other Parish Staff - Salary Administration	32.48	-
Superannuation	9121 - PAYE Payable	-	26.88
Tax	9121 - PAYE Payable	-	178.64
Total		**960.48**	**960.48**

Pay or work pattern changes

1. In the **Payroll** menu, select **Employees**.
2. Click the employee's name, then select **Employment information**.
3. Click **New details**, then enter the employee's pay and work pattern details.
4. Under **Pay and work pattern effective date**, select when you want the changes to start.
5. Click **Add**, then click **Save**.

Ending employment

1. Go to the **Payroll** menu and select **Pay employees**.
2. Open a new or draft pay run and select **Unscheduled pay run** if you want to pay them outside of a normal pay run.
3. click the **employee's name** to open their payslip.
4. Click **Set as Final Pay** at the bottom of the payslip.
5. Enter the **Termination Date** (their last day) and select the **Reason for termination**.
6. Review outstanding hours, accumulated leave, and tax, then click **Save**.
7. Post the pay run as usual.

Unscheduled out of cycle pay run to correct errors

If you've filed a pay run with errors in it, you can create an unscheduled pay run to:

- Process one-off, out-of-cycle pay runs
- Amend an employee's wages if they were overpaid or underpaid
- Process a negative pay run to include negative wages, taxes, net pay or to reverse incorrect wages and taxes

Unscheduled pay runs work in addition to scheduled pay runs – they don't override the information in a previous scheduled pay run. You need to remove any items not required for the adjustment from the employee's payslip when you create the unscheduled pay run.

To process a normal pay period without any adjustments, create a scheduled pay run instead.

To make sure Inland Revenue (IR) doesn't decline your unscheduled pay run with manual adjustments, check:

- Total deductions (PAYE, KiwiSaver, student loan, etc.) don't exceed the employee's gross earnings.
- Any Tax Credit Payroll Donations (PDTC) don't exceed the total PAYE and schedular tax deductions.

If IR declines a filing, the pay run status in Xero shows as **Declined**. You'll need to log in to your myIR account (IRD website) and manually submit the correct data. See common issues with payday filing for more information.

Adjust a processed pay period using an unscheduled pay run

1. In the **Payroll** menu, select **Pay employees**.
2. Delete any draft pay runs for the pay frequency you want to use. You can only have one draft pay run for each pay period.
3. Under **New Pay Run**, select **Unscheduled Pay Run**, then click **Process Pay Run**.
4. Select a pay frequency and the relevant pay period you want to correct. If you're correcting a mistake from an earlier pay run, make sure you select the same pay frequency and period as the incorrect pay run.
5. Click **Create**.
6. Click **Payment Date** and select the date you'll pay your employees. This date determines which financial period the pay run is reported in. If there's no payment being made, you can leave the date as is.
7. Select the checkbox next to each employee you want to add to the unscheduled pay run.

8. Click an employee's name to open their payslip, make the required change, then click **Save & Close.**
9. (Optional) To add a note to an employee's payslip, click the add memo icon , type your message, then click **Apply**.
10. Repeat for each employee included in the pay run.
11. (Optional) Under **Payslip Message**, enter a note to appear in all the employee payslips.
12. Click **Post and file**, then click **Post and File** to confirm.