

# AccountAble™

Salary Records

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- **What is salary?**

Under labour law, any payment (in the nature of remuneration) to an employee is salary.

- **But who is an employee?**

If an employer-employee relationship exists with a person, that person would be your employee. Generally speaking, any person who works for the organisation on a regular basis, and gets paid for the same is an employee. A part-time employee is also considered an employee. In some cases, 'volunteers' would be considered 'employees'.

- **Is honorarium also salary?**

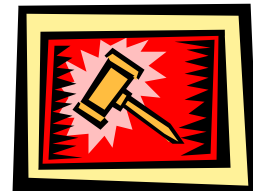
This depends on your relationship with the person. Properly speaking, honorarium is a nominal fee, especially a voluntary payment for professional services rendered without the normal fee (Oxford).

Under the labour laws, most important is an employee-employer relationship. If such a relationship exists, then the name given to the payment does not matter. You get no protection from labour laws by calling the payment as 'honorarium'.

- **Is a salary register required under law?**

Some NGOs are covered under Employees Provident Fund Act, Minimum Wages Act etc. This depends on the state they are registered or the activity they carry out. In such cases, registers similar to salary register are required under law:

- Register in Form B or Form E under 'Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988', implemented w.e.f. 1-May-1989
- Register in form 10 under 'Minimum Wages Act, 1948' (applicable to NGOs in some states only)



- **But is it really necessary?**

A salary register is very important for accounting and control. It provides details of salary paid to all employees, along with their signatures. The employees do not have to sign separate vouchers. This register also means that you need not pass individual entries in the cashbook for salary to each employee. Most auditors will expect to see a salary register if there are more than 5-6 employees.

- **How many registers?**

Sometimes NGOs start separate salary registers for each project or agency. This creates unnecessary compartments and increases the number of records to be maintained. In reality only one salary register is required. In some cases, where the NGO has branch offices, each branch may have a separate register.

- **What about FCRA requirements?**

FCRA rules do not ask for a separate salary register. However, the format of the salary register should show the amount of FCRA salary separately. This will allow separate entries to be made into FCRA and Indian cashbooks.

- **Integrated Salary Register**

There are two alternatives if you want to use an integrated salary register. Both allow separate identification of FCRA and Indian salaries. However, if you want to keep a separate salary register for FCRA, you can modify the design accordingly:

- 1. Plain register:**

You can use the existing register, dividing it into sections each month so that salary payments for each agency / project can be totalled up. The register would look as below:

Salary Register for the month of April '98									
S. No.	Name	Designation	Location	Salary	Allowances	Deductions	Net payment		Signatures
							From FCRA	From Indian	
	<b>Sida</b>								
1	Ms. Ramawati	Co-ordinator	Macchera	2,500			2,500		
2	Mr. Venkat	Sr. Animator	Macchera	500			500		Venkat
3	Ms. Maya	Teacher	Tilbatia	1,000			1,000		
4	Mr. Sebastian	Health Worker	Tilbatia	1,000			1,000		
	<b>Total - Sida</b>			<b>5,000</b>			<b>5,000</b>		
	<b>CRY</b>								
1	Mr. Venkat	Animator	Macchera	1,000				1,000	Venkat
2	Ms. Vanita	Health Worker	Macchera	1,000				1,000	
3	Ms. Elizabeth	Animator	Purnea	980				980	
4	Mr. Hussain	Incharge	Purnea	2,000				2,000	
	<b>Total - CRY</b>			<b>4,980</b>				<b>4,980</b>	
	<b>Grand Total</b>			<b>9,980</b>			<b>5,000</b>	<b>4,980</b>	

- 2. Analytical Register:**

Analytical register is a little more complicated because additional columns are kept for each agency. If you have spare columns in your register, you can rename these. Otherwise you have to either make the columns in a plain register or get it printed.

Many NGOs deduct salary for excess leave. Others deduct excess leave salary for some categories of staff. Deductions from salary of core staff are not very common, except in very large organisations. Such deductions should be shown in the salary register.

Salary Register for the month of April '98								
S. No.	Name	Designation	Location	Salary (Sida)	Salary (CRY)	Salary (Ford)	Total payment	Signatures
1	Ms. Ramawati	Co-ordinator	Macchera	2,500			2,500	

Salary Register for the month of April '98								
S. No.	Name	Designation	Location	Salary (Sida)	Salary (CRY)	Salary (Ford)	Total payment	Signatures
2	Mr. Venkat	Sr. Animator	Macchera	500	1,000		1,500	Venkat
3	Ms. Maya	Teacher	Tilbatia	1,000			1,000	
4	Mr. Sebastian	Health Worker	Tilbatia	1,000			1,000	
5	Ms. Vanita	Health Worker	Macchera		1,000		1,000	
6	Ms. Elizabeth	Animator	Purnea		980		980	
7	Mr. Hussain	Incharge	Purnea		2,000		2,000	
	Grand Total			5,000	4,980		9,980	

He now signs at one place only.

This amount will be entered in the Indian cash book as 'Salary -CRY.'

This amount will be entered in the FCRA cash book as 'Salary -Sida'

The analytical register is a little more convenient to use but requires more effort in column layout. You can choose either.

### • Attendance Register

Some NGOs keep an attendance register, others do not. This largely depends on organisational culture and size. Where work-hours and leave rules are fixed, an attendance register would be useful. Similarly the register is useful where large number of people work. Attendance registers should be kept separately for each office location. However, agency-wise attendance registers need not be kept.

Attendance Register for Macchera: April '98													
Sl.	Name	Designation	Location	1	2	3	4	5	6	30	31	Days Attended	Days On leave
1	Ms. Ramawati	Co-ordinator	Macchera										
2	Mr. Venkat	Sr. Animator	Macchera										

Normally, people initial the register each day to mark their presence. When a person is on outstation work, 'o/s' may be written. At the end of the month, days of attendance and days of leave should be totalled and written against each person.

### • Leave Records

If the attendance register and salary registers are kept properly, there is no need for a separate leave register. However, most NGOs ask for leave applications – these should be filed systematically. A good way is to keep it in one file, sorted date-wise.

### • Joining Report / Appointment Letter

Practices vary from region to region. Some people avoid any kind of documentation, fearing problems under labour laws. They believe that once an appointment letter is given, it may be difficult to terminate services at the end of the project. This is a tricky matter and should be discussed with your advisors. However, you must always remember that lack of an appointment letter does not mean that a case can not be filed with the labour commissioner.

Some NGOs follow the system of an offer letter, a joining report and a formal appointment letter. Increments are also made through increment / confirmation letters. These

papers are normally kept in separate subject-wise files (joining report file, appointment letter file etc). Larger organisations keep one separate file for each employee.

- **Paying salaries by cheque / bank transfer**

Quite a number of NGOs are now paying almost 100% salaries by cheque. Many NGOs in metropolitan cities like Mumbai and Chennai follow this practice. Surprisingly, smaller NGOs in rural areas such as Nilakottai (Taminadu) and Gondiwadhona (MP) have also started paying salaries by bank transfer.

Payment by cheque or bank transfer always carries more credibility than payment in cash. When paying salary by cheque, make sure that the cheque is crossed 'A/c Payee-Not Negotiable'. Payment of salary by a bearer cheque is same as paying in cash.

If you want to pay salaries by bank transfer, the concerned staff should have their accounts in your bank. Then you can make just one cheque. Make the cheque for the total amount, attaching a list of payees and their bank account numbers. Deliver the cheque and the list to your bank, against acknowledgement. The bank will transfer correct amounts to each account.

Whether you pay salaries by cheque, bank transfer or cash, you must obtain signatures of the employees on the salary sheets.

- **Salary to office bearers**

Office bearers can be paid salary only when they do extra work. Extra work means regular duties apart from those required as an office bearer (secretary, treasurer etc.). Under section 50 of Indian Trusts Act, 1950, trustees can be paid salaries if specifically provided in the Trust Deed.

However, there are restrictions on payment of salary to office-bearers (of registered societies) in some states such as Tamilnadu (sec. 25[3]).

## Farcus

by David Waisglass  
Gordon Coulthart



“Good news, Smitsberg! The boss agrees you deserve a bigger paycheck.”



- ❑ Anand's Commentaries on Societies Registration Act, 1860; 5<sup>th</sup> Edn.1998; Law Publishers, Allahabad; Rs.525
- ❑ Farcus – The First Treasury (on CD-ROM); David Waisglass and Gordon Coulthart; Corel Corporation; Rs.1,000
- ❑ Industrial Law; 17<sup>th</sup> Edn. 1996; P.L. Malik; Eastern Book Compnay, Lucknow; Rs.640

**Warning:** Interpretation of law provided in this circular is of a general nature. Please consult your advisors before taking any important steps.

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