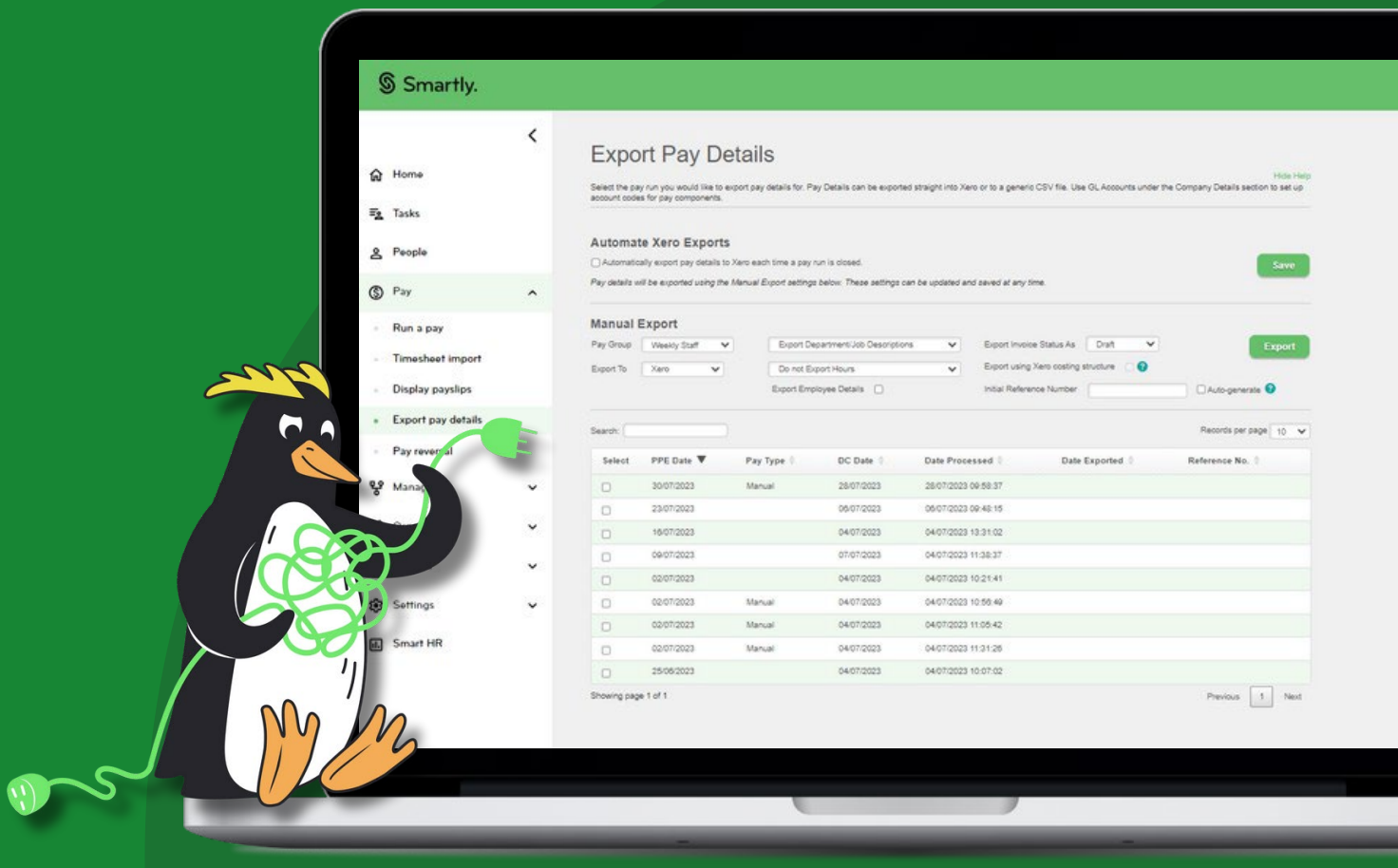
Smartly
Powering your people

xero

# Xero Integration

Exporting your payroll data to Xero. A complete guide.



# Contents

## Xero integration

Setting up this feature means every pay run you process goes straight to Xero's Bills-To-Pay.

### Running a pay, the Smartly way


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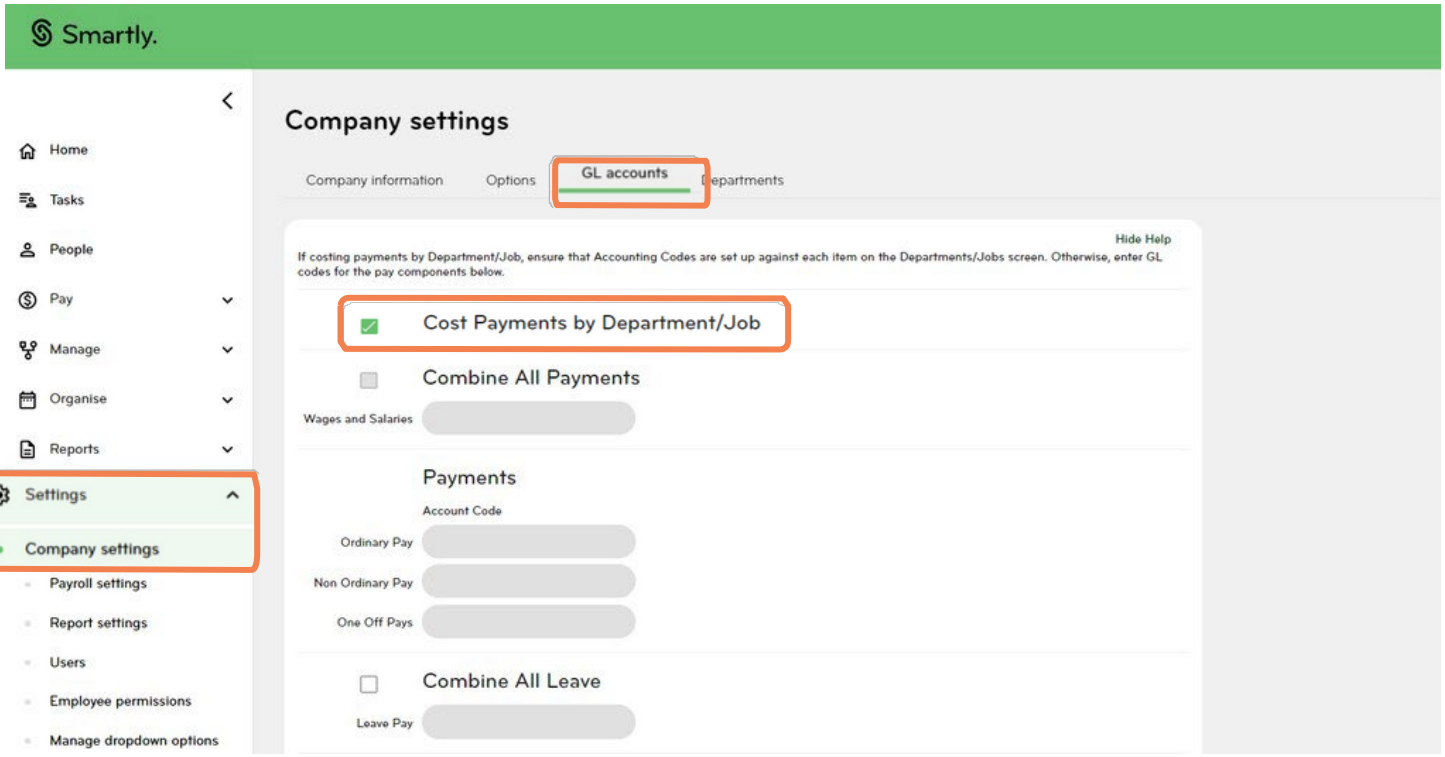
# Setting up your general ledger account codes

**How you set up your general ledger (GL) Account Codes depends on the needs of your business.**

## Combine all payments

When enabled, the 'Combine All Payments' groups ordinary pay, non-ordinary pay, one off payments, leave and allowances together under a single GL code. When you tick the checkbox these fields are disabled.

If you choose not to combine all payments, map your GL codes in the payments, leave and allowances fields.




## Cost payments by department/job

This relates to Xero job costing and lets you manage codes in the departments/jobs screen. When enabled, you will not need to enter any GL Codes in the main payment fields below (e.g. wages and salaries). You can still assign separate account codes for leave, allowances, deductions and benefits.

You can either group your leave payments together under one code by selecting ‘combine all leave’ or assign different leave types to different codes using the Leave fields below.

## Deductions and benefits

Deductions and net superannuation amounts that are held back in company accounts can also be coded to allow these to be tracked in Xero for later payment. For customers using Smartly as a calculator, this includes PAYE.

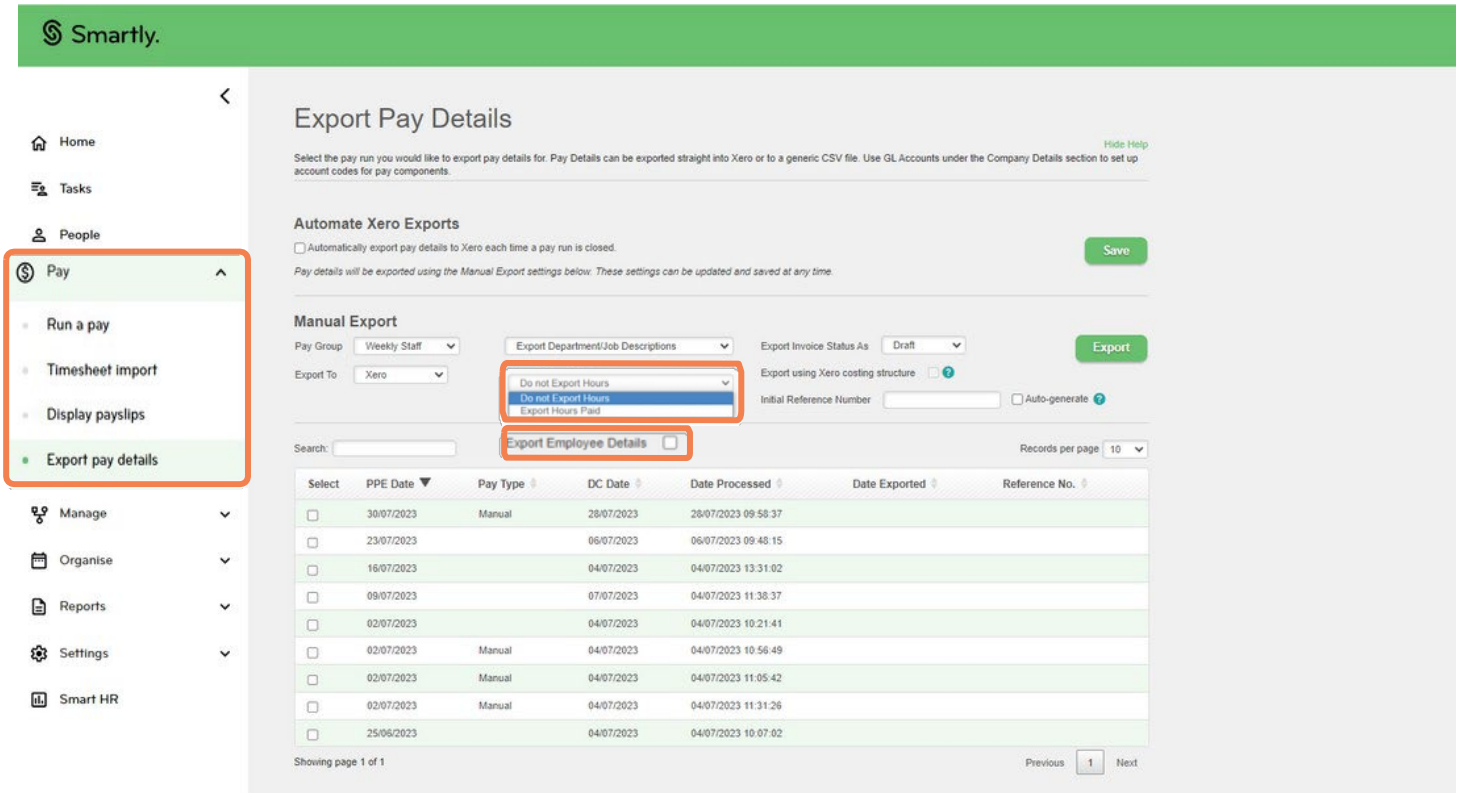
# Configuring your export settings - General

There are multiple options you can select to generate different results when you view your bill in Xero. These are configured in the 'Manual Export' section of 'Pay' > Export Pay Details'.

## Exporting Employee Details

Tick this option if you want payments to be broken down by employee. The employee's name will appear in the description column in your Xero bill.

Note: This option is not available if you use Xero for project costing and have the export using Xero costing structure enabled.




## Exporting Employee Hours

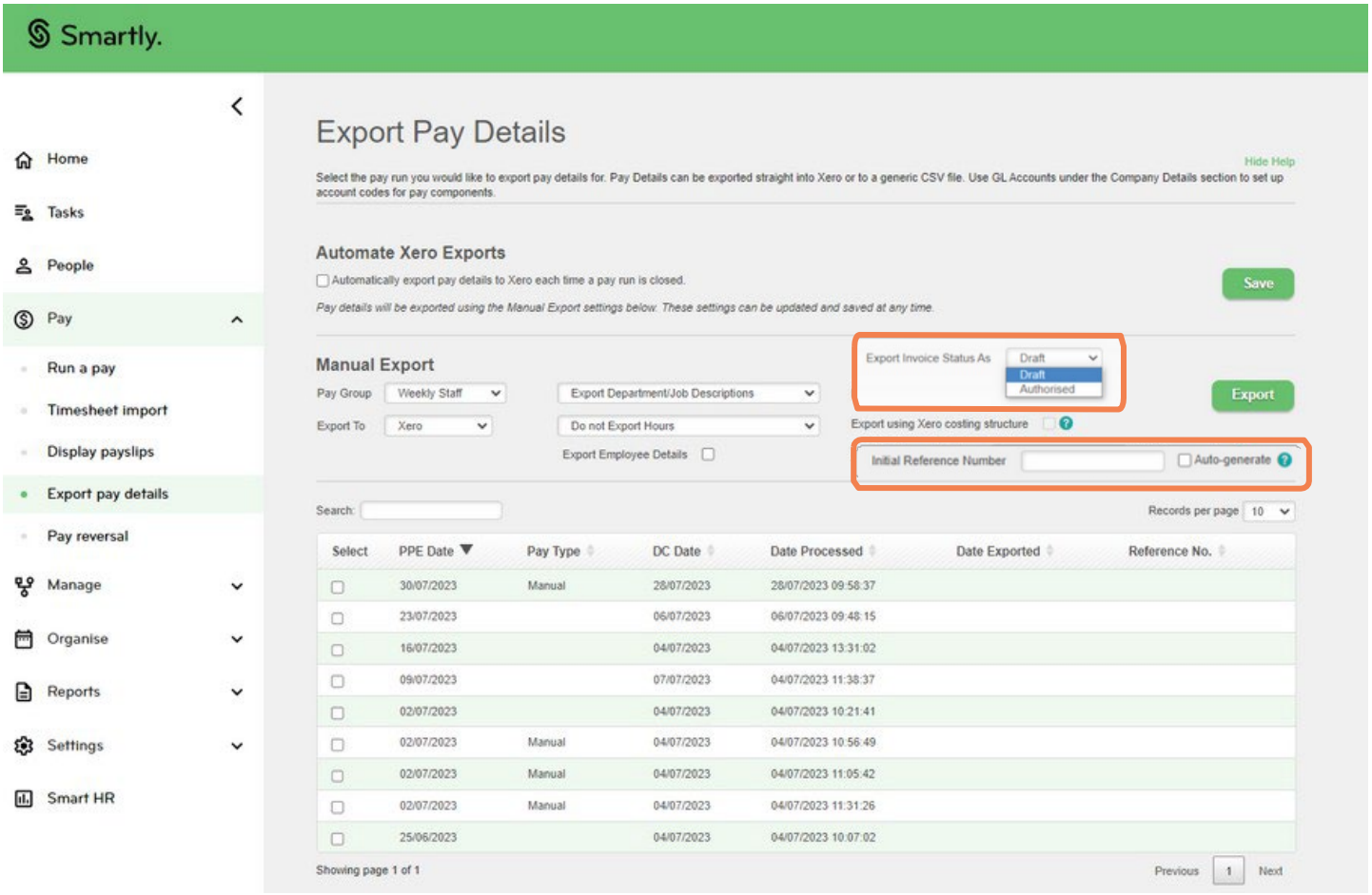
If you don't want employee hours to appear in your Xero bills, choose 'Do not export hours' from the dropdown menu. This option groups the total number of hours worked and doesn't show their hourly rate. For example, if an employee works 40 hours and they are paid $25 per hour, your bill will present the data as: Quantity = 1, Unit Price = $1000, Amount = $1000.

If you want your employee hours and rate to show, then choose export hours paid. Using the example above, your bill will instead show: Quantity = 40, Unit Price = $25, Amount = $1000.

If you use the record hours worked without affecting salary feature, a third option will appear in the dropdown called export hours worked, this option exports the actual hours the employee worked, as opposed to the number of hours they were paid for.

## Invoice status

You can choose to export your bill to Xero as Draft or Authorised. Authorised exports will appear in Xero as a bill awaiting payment. Draft exports show up as draft bills.




# Reference Numbers

## For manual exports

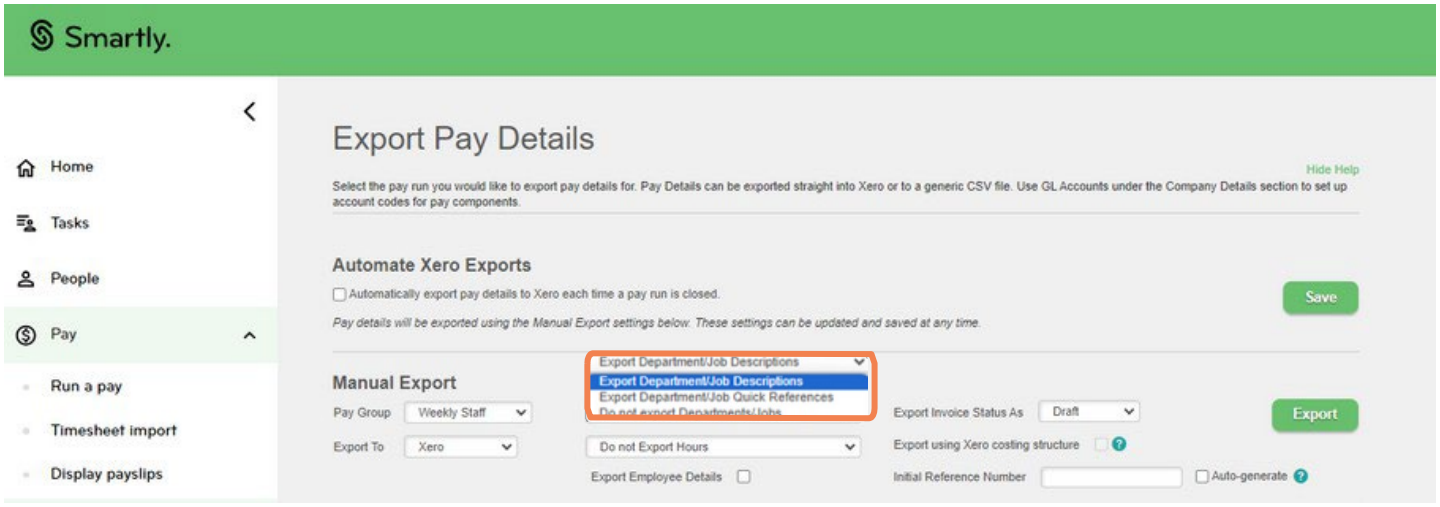
When exporting a pay run manually, you can either enter your own unique reference number, or the system can auto-generate one for you based on the Group ID and date processed.

## For automated exports

We recommend using the auto-generate option. If you choose to automate your exports but want to continue using your own numbers, then you will need to make sure you update the initial reference number field at least one day before your pay run is due to process

# Configuring your export settings – Job Costing

There are multiple options you can select to generate different results when you view your bill in Xero. These are configured in the Manual Export section of 'Pay' > 'Export Pay Details'.




## Exporting job costing data

This option appears when the cost payments by department/job option on the GL accounts screen is enabled during the set up. Selecting this automatically sets the department/job export option to export department/job descriptions, and disables the export employee details checkbox.

## Exporting job data

These are only relevant if you are using the project/job costing features. Refer to our Labour Costing Guide for more information.

## Exporting department/job descriptions

If you are using Xero for project costing and have the Export using **Xero costing structure** feature turned on, this must be selected. This assigns the Xero Tracking Category options based on the Departments **Description** field.

## Exporting department/job quick references

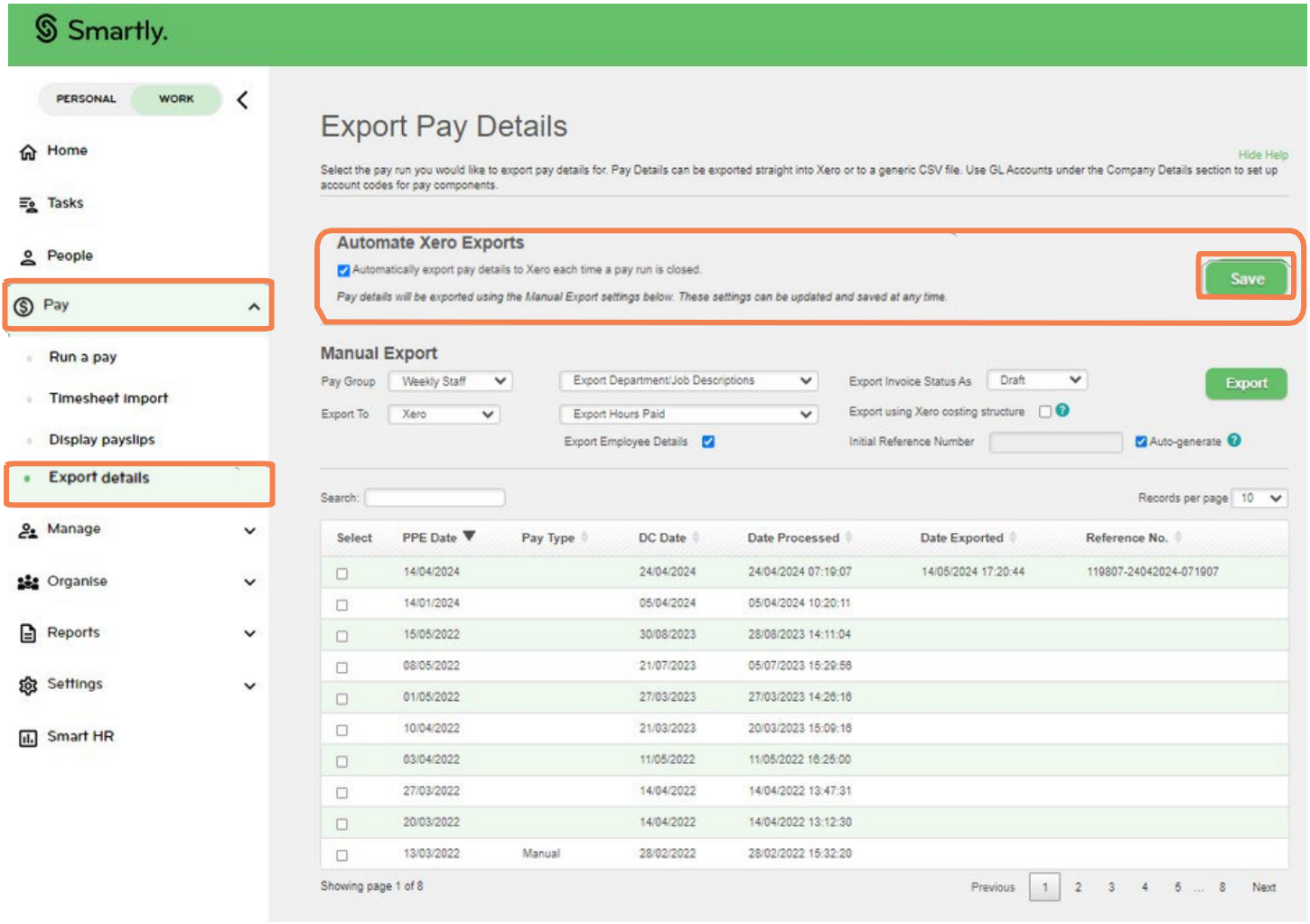
This assigns the Xero Tracking Category options based on the Departments Quick Code field.

## Do not export departments/jobs

Does not group payments into a corresponding Xero Tracking Category.

# Automating your exports

Once you have configured your export settings (see pages 4 - 6), you can choose to automatically export your pay details each time a pay run is closed from within the 'Pay' >'Export Pay Details' screen.




## How to automate your exports

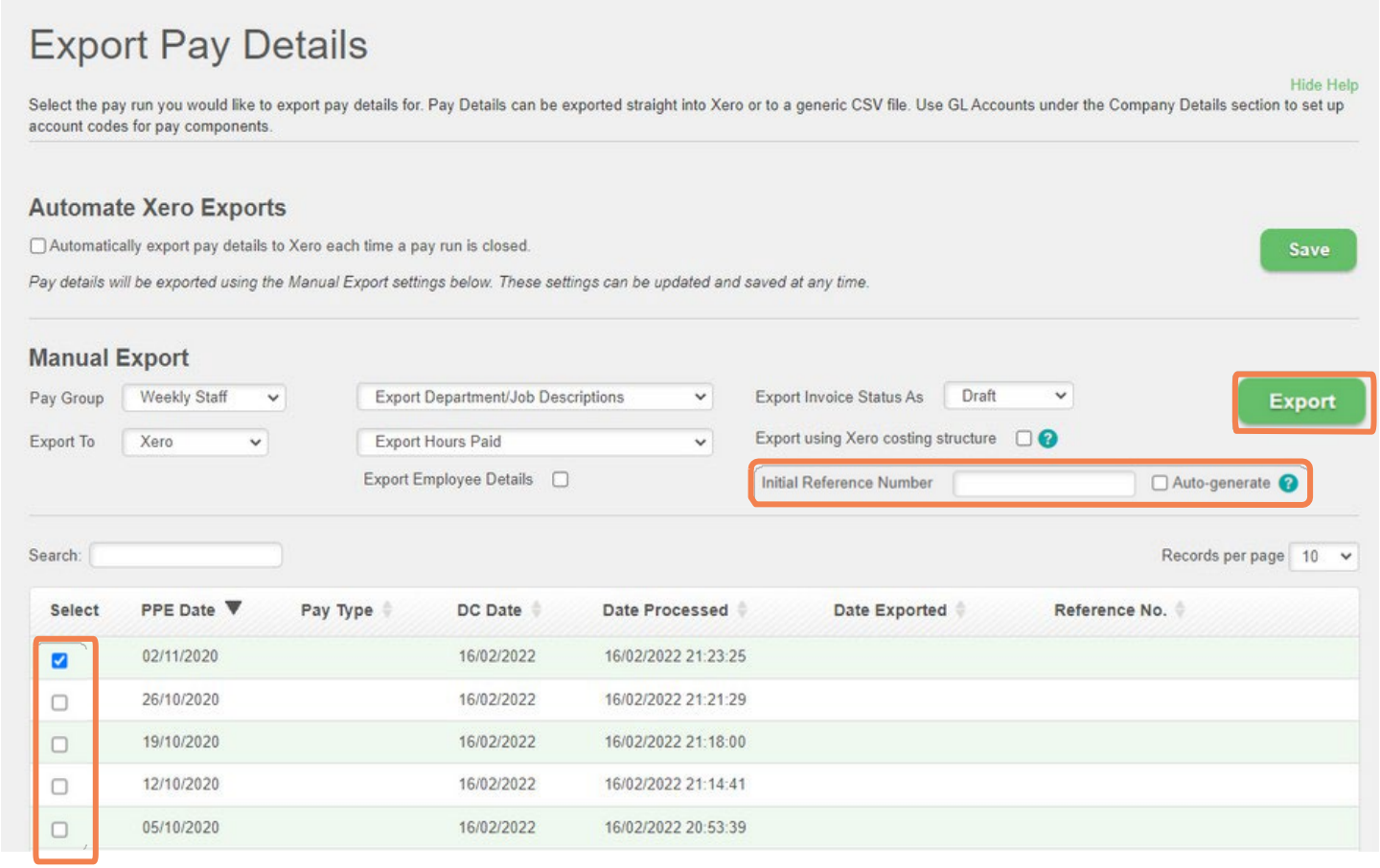
Tick the ‘Automate Xero Exports’ checkbox, and click ‘Save’.

## Important information

- This is a company-level feature. If you have multiple pay groups, enabling this will automatically export the pay runs from all pay groups within your site.
- This feature only works for pays processed through the Smartly website. If you process a pay through the mobile app, it will not export automatically.
- When processing a pay, if your system loses its connection with Xero the auto export will fail. You will need to export the pay run manually and when you do you’ll be prompted to reconnect to Xero. Once reconnected, your automatic exports will continue.
- If a pay run cannot be exported to Xero, this won’t impact the success of the pay run processing - it will still be completed.
- When your pay run has successfully processed, you’ll see a note on the system ‘Success’ pop up message noting that your pay details have been successfully exported to Xero

# Manually exporting data

If you'd prefer not to automate your exports, or you need to re-export a pay run, you can do this in the Manual Export section of 'Pay' > 'Export Pay Details'.




## How to run a manual export

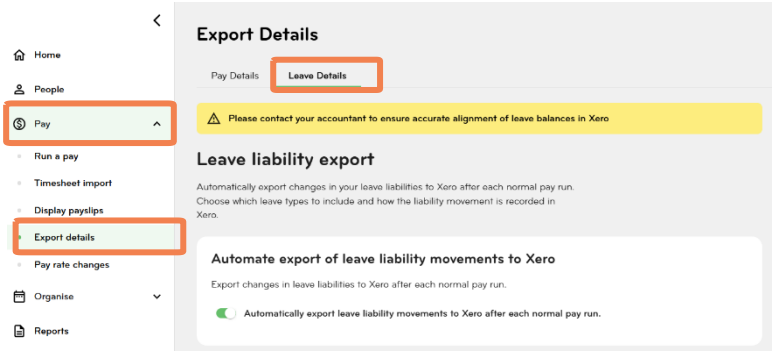
1. Select the pay run you want to export.
2. Enter an Initial Reference Number, or tick 'Auto-generate'. You cannot use a reference number which has already been used before. Auto-generated reference numbers cannot be used more than once, so if you have already exported this pay run before with an auto-generated reference number, you will need to untick this option and enter your own reference number for the pay run.
3. Click 'Export'.

# Exporting leave liability

Send changes in your leave liability from Smartly to Xero as a draft journal after you authorise a normal pay run. You or your accountant reviews and posts the journal in Xero.

## Before you start

- Make sure the Smartly company is connected to the correct Xero organisation.
- Make sure the liability and expense accounts you plan to use are avaiable in Xero.
- Check that your leave liability totals in Xero match what's in Smartly as at the last closed pay period before the first export.

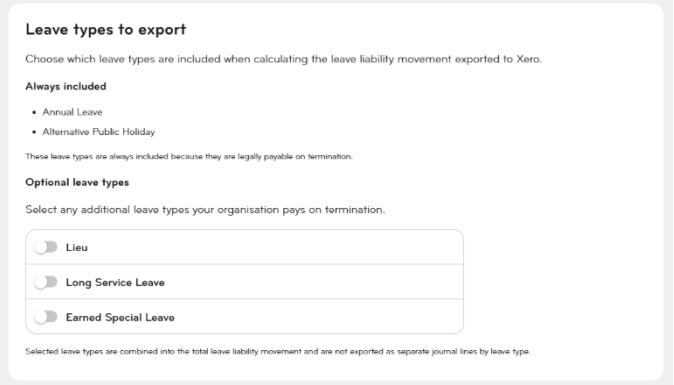



## Configure the export

1. In Smartly, go to **Pay → Export Details → Leave Details** and enable **automatic export**.

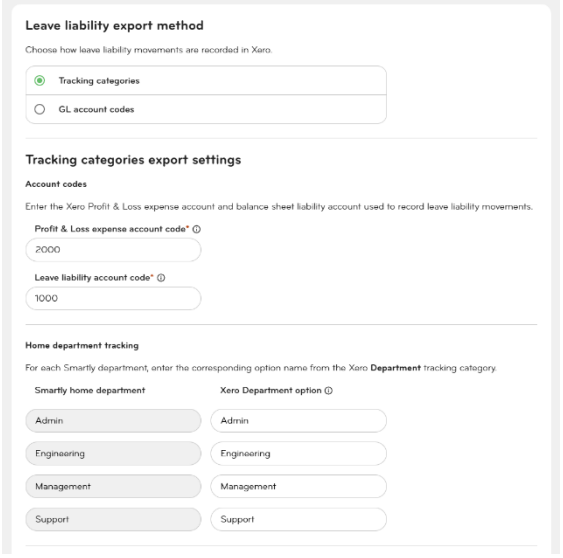
2. Choose the leave types to include. Annual Leave and Alternative Public Holiday are always included.

   You can also select Lieu, Long Service Leave and Earned Special Leave, depending on which leave types you want to contribute to the exported movement.

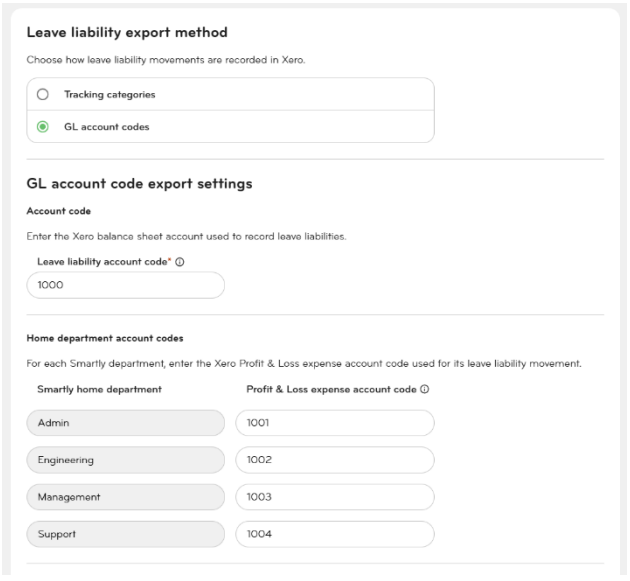



3. Choose a department-mapping method:

**Tracking categories:** enter the Xero expense and liability accounts, use a Xero tracking category named Department, and map each Smartly Home Department to the matching Xero option.



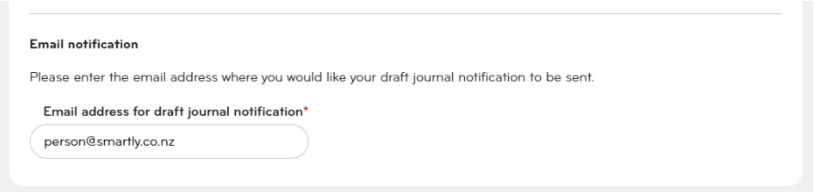

**GL account codes:** enter the liability account and a Profit & Loss expense account code for each Home Department; check all required departments and sub-departments.



**To set up Tracking categories in Xero:**
Open Accounting > Advanced. Select “Tracking Categories” and “Add Tracking Category”.
**Note:** you can only have two tracking categories per organization.

**To set up GL account codes in Xero:**
Open Accounting > Advanced. Select “Chart of Accounts”. You can record existing accounts or “Add account”

4. Enter the email address of the person who should receive the draft-journal notification and save the settings.




## What happens after a pay run?

After a normal pay run is authorised, Smartly sends the liability movement as a draft manual journal and emails the configured contact.

1. In Smartly run a leave balances report from **> reports** for the two periods and show the difference in balance.

2. Compare this to the data in Xero from **> Accounting > Manual journals**, checking the pay period, department expense accounts and tracking options, the combined liability entry, and that debits and credits balance.

**Post the journal only when you are satisfied.**

- Your first export compares the current period with the previous pay period. Later exports compare with the last successfully exported period.
- A Manual Pay does not trigger an export, but its change can be included in the next normal-pay export.
- Termination reductions are recognised for the period in which payment is made.
- Included leave types contribute to the journal amounts rather than separate lines for each type.

## Changing selections and troubleshooting

Deselecting an optional leave type included in the most recent successful export reverses its previously exported liability in the next export. Read the warning and check the accounting effect before saving.

If a journal is missing or unexpected check;

- that a normal pay was authorised,
- the correct Xero organisation is connected,
- leave types and mappings are correct and,
- the accounts are valid.

Contact Smartly Support if you cannot resolve it.

**Note:** An export failure does not stop payroll processing.

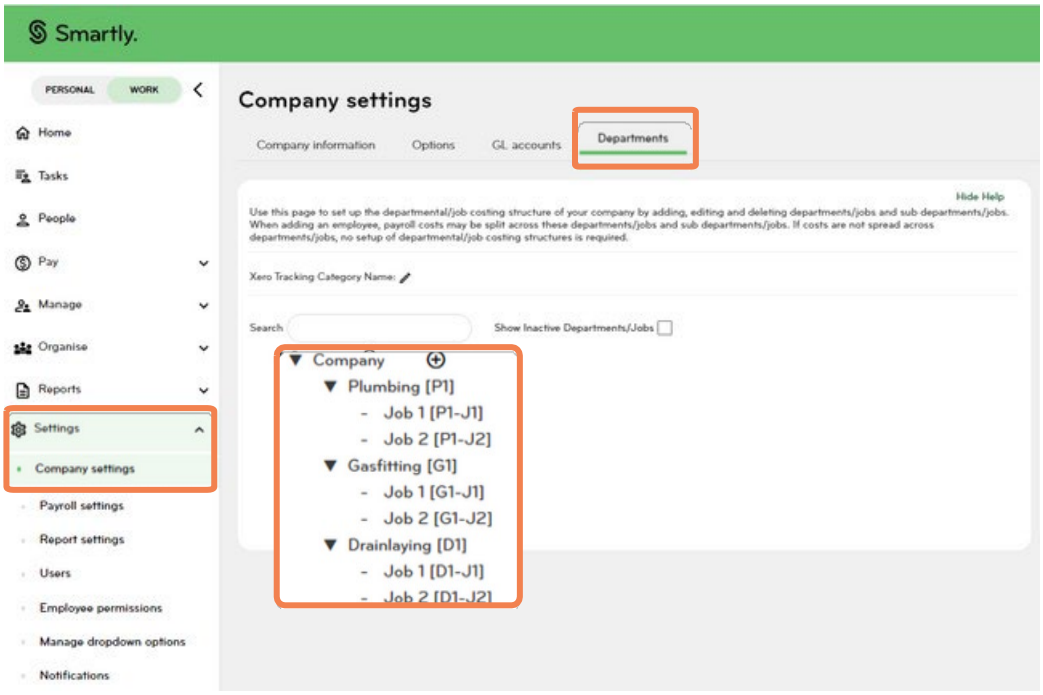
# Tiered job costing

If you're using the Labour Costing feature in Smartly, you can also send the details of your cost structure across to Xero. The data is mapped in the following way:

| Smartly's Tiered Cost Structure | Corresponding bill columns in Xero |
|---|---|
| Account (Tier 1) | Account (i.e. General Ledger account codes) |
| Tracking Category (Tier 2) | As defined in Xero (i.e. Branch or Department) |
| Project/Job (Tier 3) | Project/Job description |

This logic applies to:

- Ordinary wages (e.g Wages/Salary)
- Non-Ordinary wages (e.g secondary/ tertiary pay rates like overtime)
- One Off Payments
- Leave payments




## Getting your tiers set up

To set up your cost structure in Smartly, refer to our Labour Costing guide to find out more about setting up your costing structure.

## What are the tiers?

### 1. Account

**These are your highest level cost allocations such as Wages or Bonuses.**

### 2. Tracking Category

**This lets you break your labour costs down further by team or department for example.**

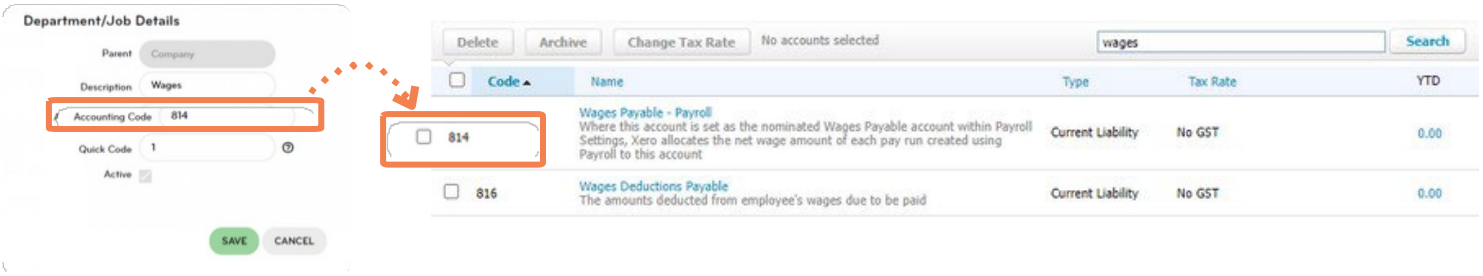
### 3. Project/Job

**Details related to specific projects or jobs.**

## Make sure your Account and Tracking Category names in Smartly are mapped to your Xero account.

### Accounts (Tier 1)

The account codes that you enter into Smartly must reflect those in your Xero Chart of Accounts. You can find these in Xero under Accounting > Chart of Accounts. To check these are entered correctly in Smartly, go to Company Details > Department/Jobs and hover over the tier you are interested in. Click on the edit icon and check the number in the Accounting Code field. If nothing has been entered, add it here. You can set up as many first tiers as necessary if you use multiple accounting codes.




### Tracking Categories (Tier 2)

Different areas of your business such as departments or locations can be configured in Xero under Tracking Categories. To find out more on how to set these up in Xero go to: https://central.xero.com/s/article/Set-up-tracking-categories.

It's important that the names are exactly the same in both systems. If there is an error with your data entry, the details will not feed through.

You can edit your Xero Tracking Category Name in Smartly within the Departments/Jobs screen.

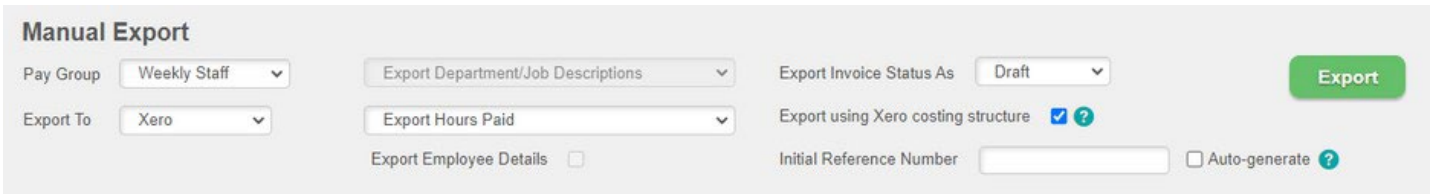
### Enable "Cost Payments by Department/Job"

Click on GL Accounts in the left-hand navigation menu and tick the "Cost Payments by Department/Job" checkbox. This feature enables the "Export using Xero costing structure" check box on the Export Pay Details screen (see above).




Set your pay run details to export using this tiered costing structure
In Pay run options > Export pay details tick the "Export using Xero costing structure" checkbox found in the Manual Export section.

When you select this feature, "Export Department/Job Descriptions" will be set as the default export option for every pay run



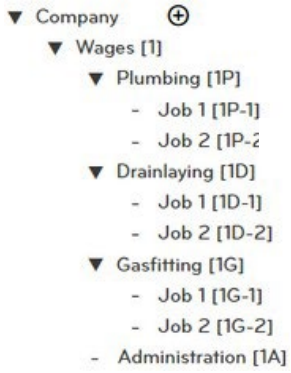
# Using this feature

This costing structure is not restricted to only 3-tiers. You can alter it to export pay run details based on your business needs. In the following scenarios, we look at businesses using this feature in different ways.

## Scenario 1 – Exporting to Xero using the 3-tiered structure

Company situation: Bob does the payroll for a small construction business. Following the Labour costing guide, he has set up his costing structure as follows:

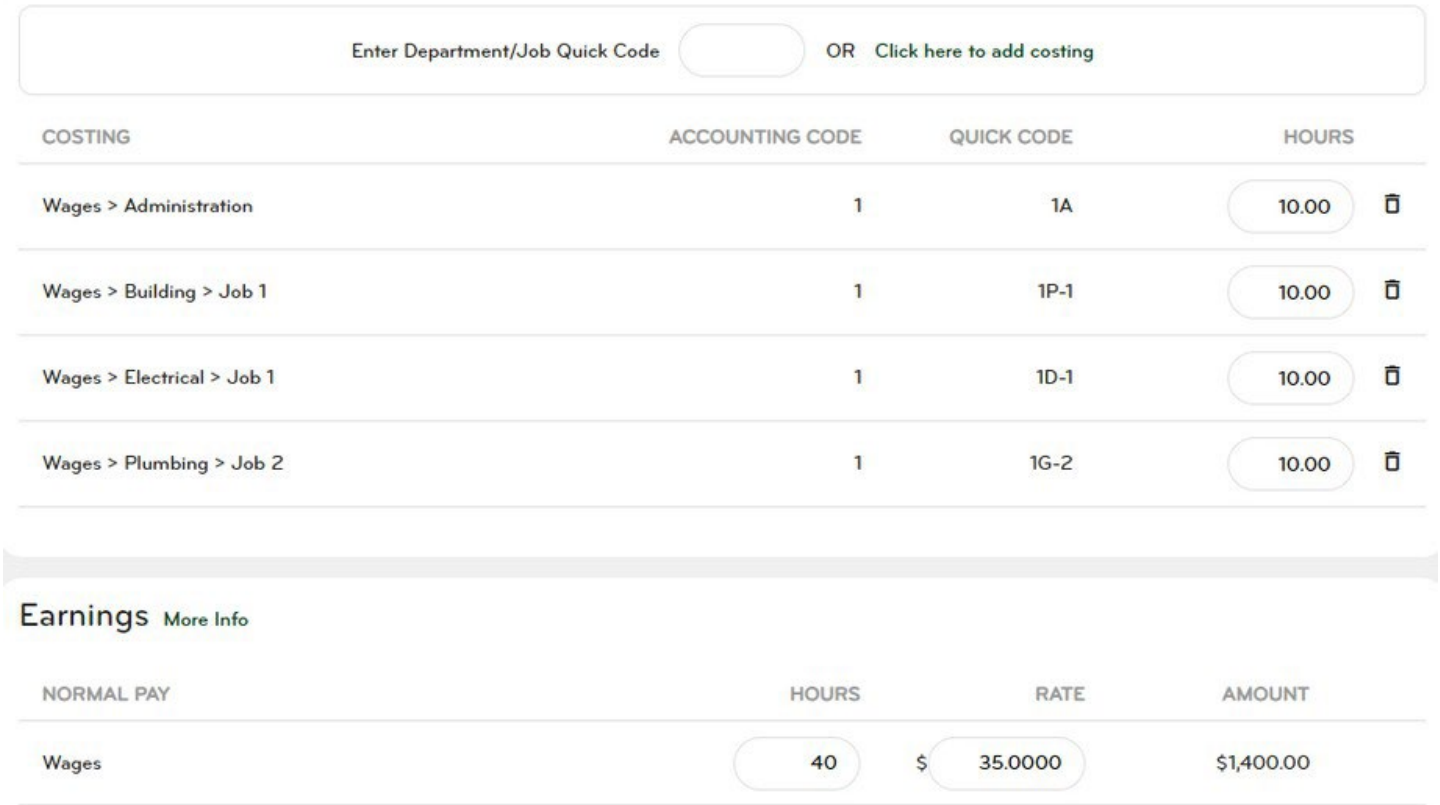
Bob has set up a Plumbing category to track the labour costs of his plumbing contractor, Dave. As Dave works on various projects, Bob has set him up so that he can assign the hours he works against different jobs when he submits his timesheets.




1. Company
2. Wages = Accounts (Tier 1)
3. Plumbing, Drainlaying, Gasfitting and Administration = Departments (Tier 2)
4. Job 1 and Job 2 = Projects / Jobs (Tier 3)

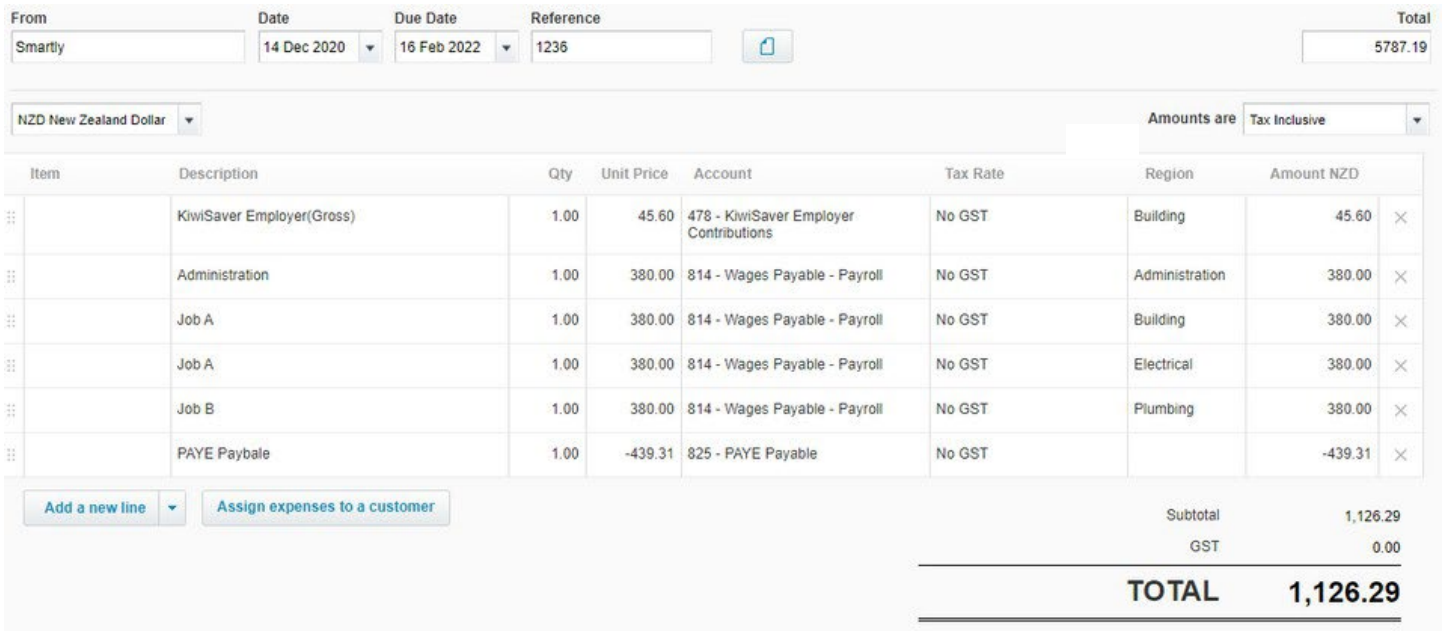
**Dave has just submitted 40 hours worked across four different projects. His pay packet looks like this.**

Pay details screen in Smartly.



## How these pay details map to Xero.

| Pay Line (as it appears in Smartly) | Description | Account | Department |
|---|---|---|---|
| Wages > Administration | Administration (Tier 2 Department Description) | 477 - Wages & Salaries (Tier 1 Accounting Code) | Administration (Tier 2 Department Description) |
| Wages > Building > Job A | Job A (Tier 3 Project/ Job Description) | 477 - Wages & Salaries (Tier 1 Accounting Code) | Building (Tier 2 Department Description) |
| Wages > Electrical > Job A | Job A (Tier 3 Project/ Job Description) | 477 - Wages & Salaries (Tier 1 Accounting Code) | Electrical (Tier 2 Department Description) |
| Wages > Plumbing > Job B | Job B (Tier 3 Project/ Job Description) | 477 - Wages & Salaries (Tier 1 Accounting Code) | Plumbing (Tier 2 Department Description) |



From: Smartly | Date: 14 Dec 2020 | Due Date: 16 Feb 2022 | Reference: 1236 | Total: 5787.19

NZD New Zealand Dollar | Amounts are: Tax Inclusive

| Item | Description | Qty | Unit Price | Account | Tax Rate | Region | Amount NZD |
|---|---|---|---|---|---|---|---|
| | KiwiSaver Employer(Gross) | 1.00 | 45.60 | 478 - KiwiSaver Employer Contributions | No GST | Building | 45.60 |
| | Administration | 1.00 | 380.00 | 814 - Wages Payable - Payroll | No GST | Administration | 380.00 |
| | Job A | 1.00 | 380.00 | 814 - Wages Payable - Payroll | No GST | Building | 380.00 |
| | Job A | 1.00 | 380.00 | 814 - Wages Payable - Payroll | No GST | Electrical | 380.00 |
| | Job B | 1.00 | 380.00 | 814 - Wages Payable - Payroll | No GST | Plumbing | 380.00 |
| | PAYE Paybale | 1.00 | -439.31 | 825 - PAYE Payable | No GST | | -439.31 |

Add a new line | Assign expenses to a customer

Subtotal 1,126.29
GST 0.00
**TOTAL 1,126.29**

## Scenario 2: Adding a fourth tier to breakdown the project or job into tasks.

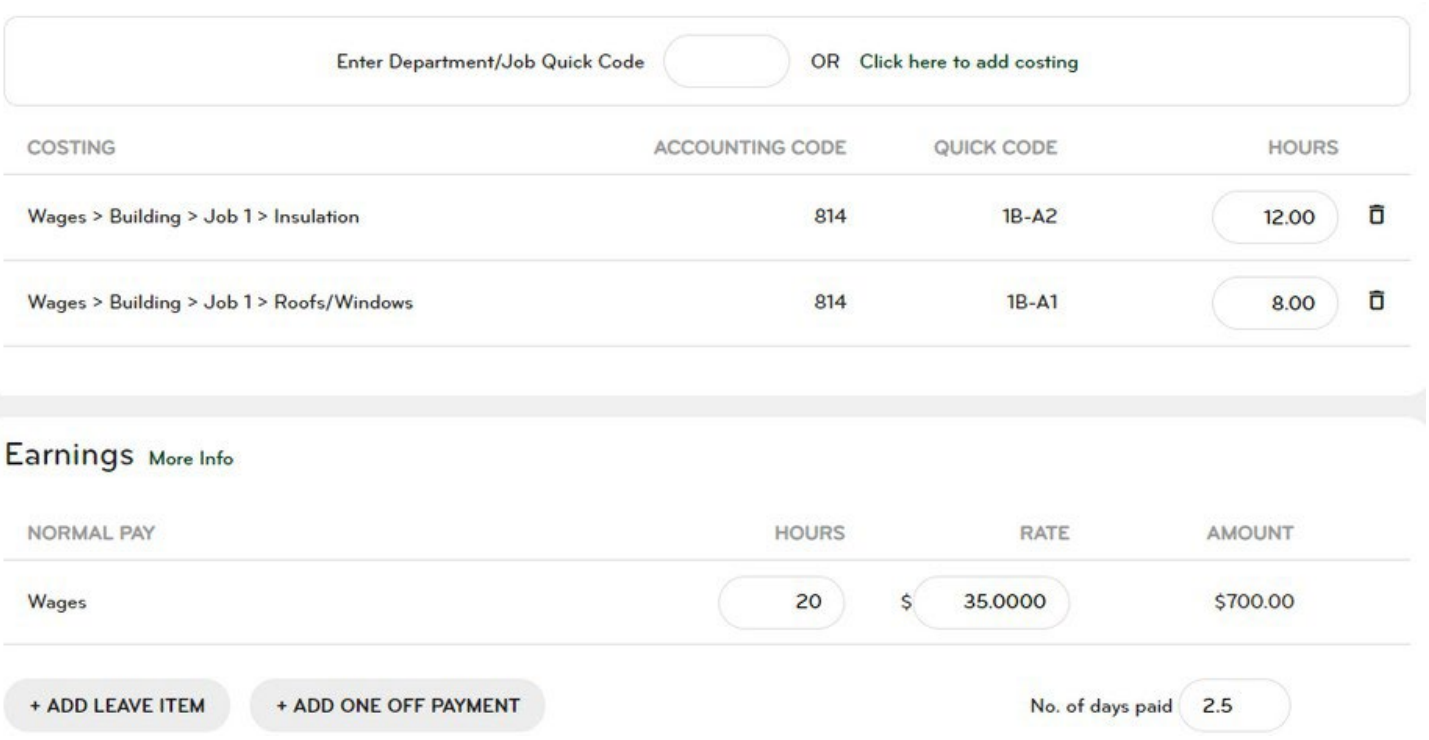
Bob has decided he wants to drill down on the hours worked against the building tasks completed on Job A. To do this he adds a fourth costing tier.

### Pay details screen in Smartly.



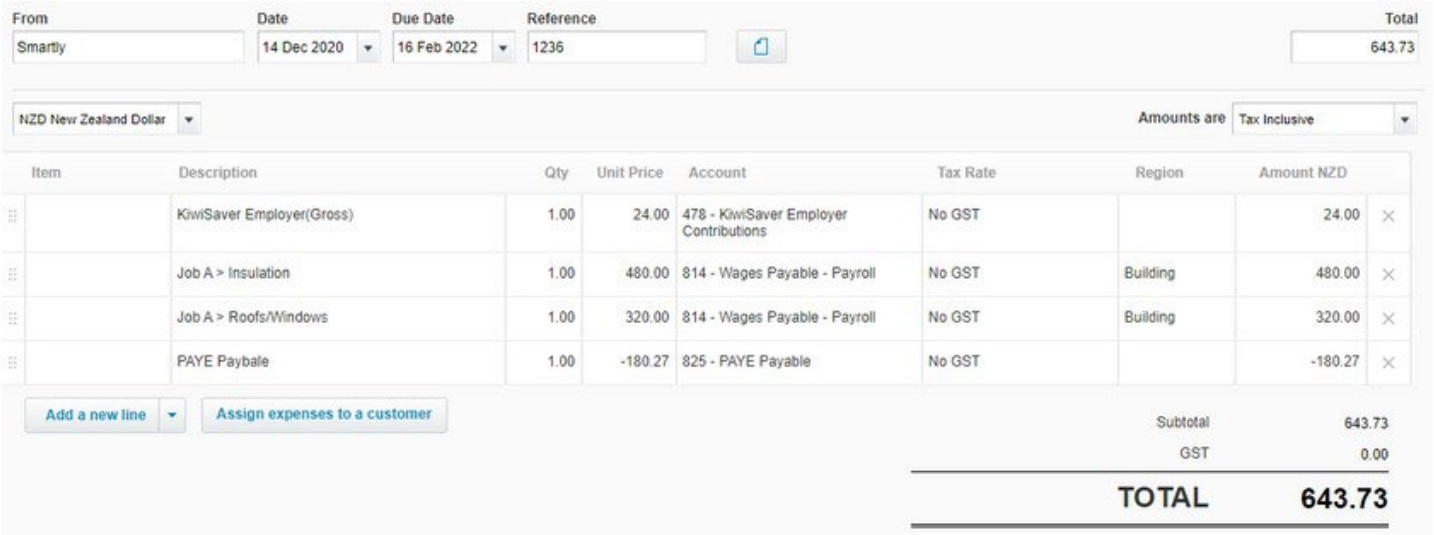

1. Company
2. Wages = Accounts (Tier 1)
3. Plumbing, Drainlaying, Gasfitting and Administration = Departments (Tier 2)
4. Job 1 and Job 2 = Projects / Jobs (Tier 3)
5. Roofs/Windows, Insulation and Framing = Projects / Jobs (Tier 4)

### How these details map to Smartly.



## How these pay details map to Xero.

| Pay Line (as it appears in Smartly) | Description | Account | Department |
|---|---|---|---|
| Wages > Building > Job A > Insulation | Job A > Insulation (Tier 3 Item Description Tier 4 Item Description) | 477 - Wages & Salaries (Tier 1 Accounting Code) | Building (Tier 2 Department Description) |
| Wages > Building > Job A > Roofs/Windows | Job A > Roofs/Windows (Tier 3 Item Description > Tier 4 Item Description) | 477 - Wages & Salaries (Tier 1 Accounting Code) | Building (Tier 2 Department Description) |




## Scenario 3: Assigning an employee's hours to a department only

Although Bob has set up the company with a main 3-tiered structure, payments are not always going to be directly allocated to a project or job.

For example, Josiah is an office administrator and is paid a weekly salary. He doesn't work directly on any particular project or job; therefore Bob has set Josiah up so that all of his labour is allocated to the Administration tracking category only.

When an employee doesn't work directly on projects or jobs, and therefore doesn't have any third-tier data to send to Xero, by default Smartly sends the Tracking Category name to Xero instead.

### Employee Details screen:



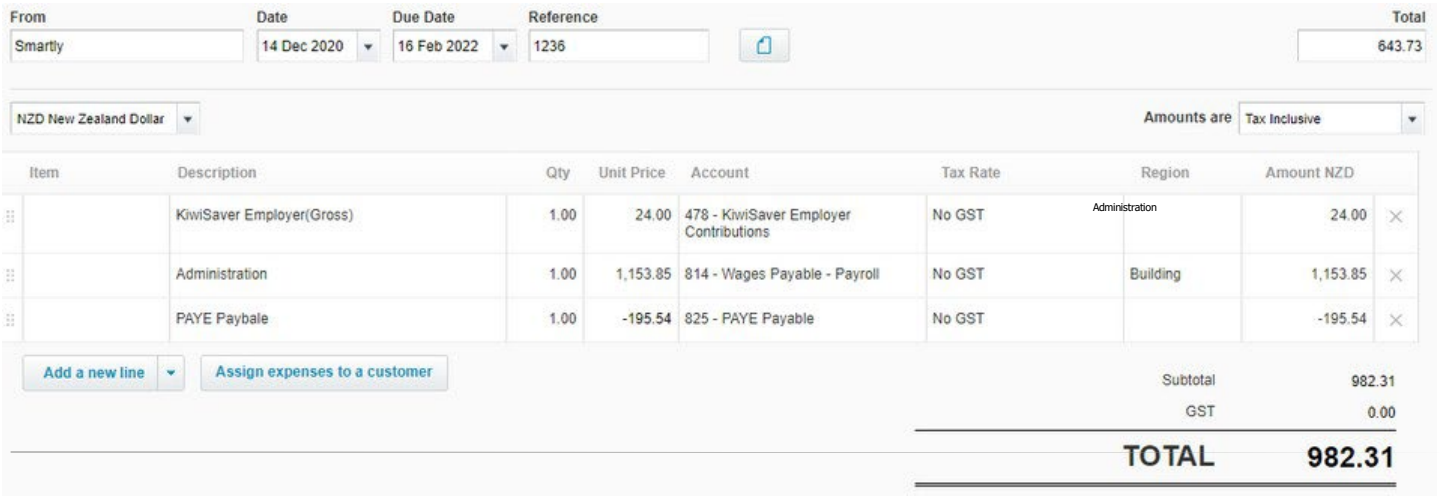
## The employee's pay details screen:

Earnings More Info

| NORMAL PAY | HOURS | RATE | AMOUNT |
|---|---|---|---|
| Salary | 37.5 | $ 1,153.8461 | $1,153.85 |

## How these pay details map to Xero:

| Pay Line (as it appears in Smartly) | Description | Account | Department |
|---|---|---|---|
| Salary | Administration (Tier 2 Department Description) | 477 - Wages & Salaries (Tier 1 Accounting Code) | Administration (Tier 2 Department Description) |



From: Smartly | Date: 14 Dec 2020 | Due Date: 16 Feb 2022 | Reference: 1236 | Total: 643.73

NZD New Zealand Dollar | Amounts are: Tax Inclusive

| Item | Description | Qty | Unit Price | Account | Tax Rate | Region | Amount NZD |
|---|---|---|---|---|---|---|---|
| | KiwiSaver Employer(Gross) | 1.00 | 24.00 | 478 - KiwiSaver Employer Contributions | No GST | Administration | 24.00 |
| | Administration | 1.00 | 1,153.85 | 814 - Wages Payable - Payroll | No GST | Building | 1,153.85 |
| | PAYE Paybale | 1.00 | -195.54 | 825 - PAYE Payable | No GST | | -195.54 |

Add a new line | Assign expenses to a customer

Subtotal 982.31
GST 0.00
TOTAL 982.31

## Scenario 4: Tracking hours by Project/Job only

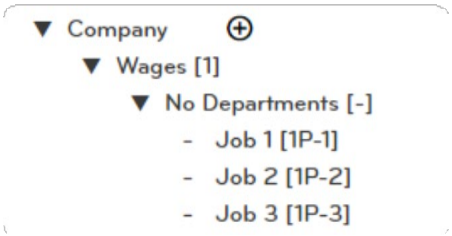
Keith has an engineering business that does not have any departments. However, he still wants to use this costing structure so that he can assign labour costs to different projects.

To use the feature he will need to set up a placeholder Tracking Category at the Tier-2 level so that the information can flow through to the right place in Xero.

This means that the project name will still be displayed in the Description column and the Account will be assigned correctly - but the Tracking Category will be ignored. He will not need to set up Tracking Categories in Xero.

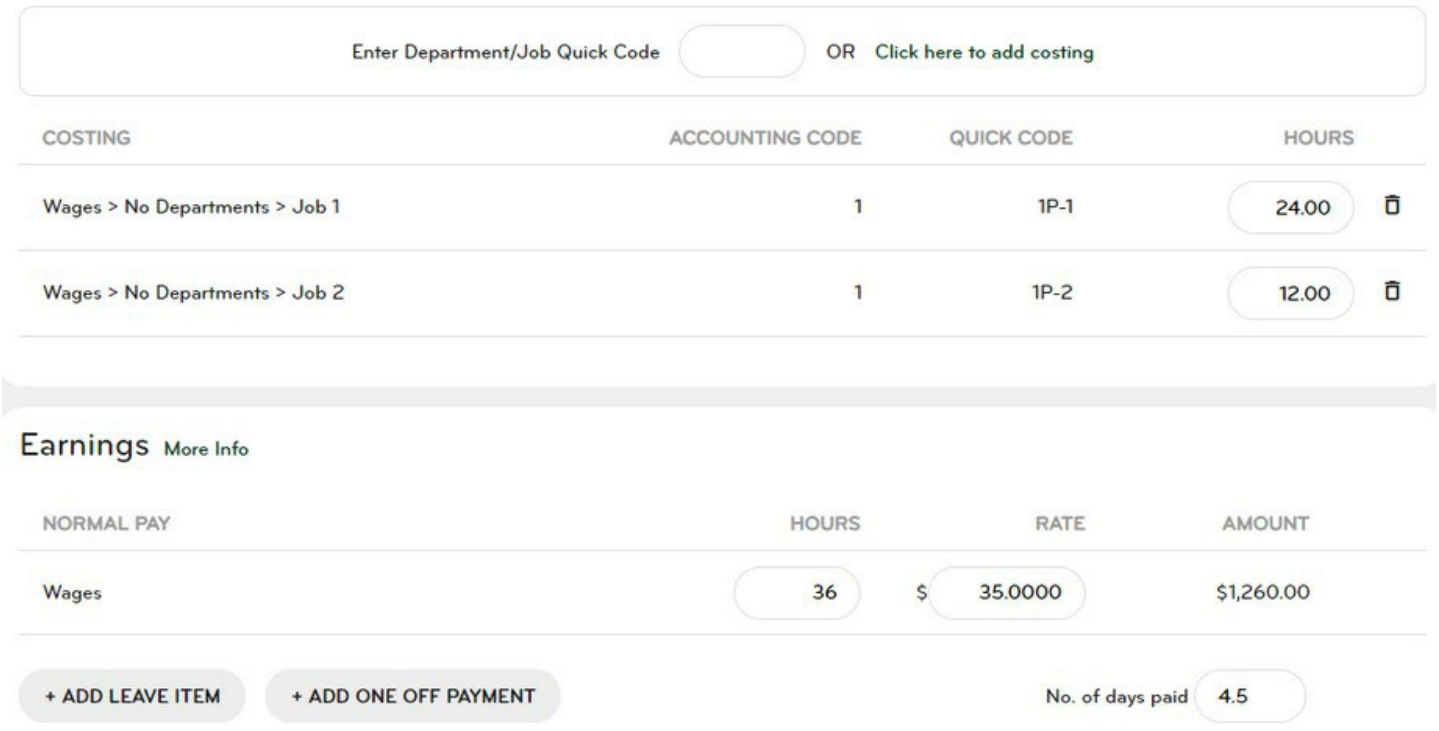
### To set up a 3-tier structure with a placeholder department in Smartly, Keith will need to:

1. **Create the Account tier (in this example, 'Wages') and assign the Accounting Code as normal.**
2. **As the second tier he will need to create a placeholder department. In the example below, we have called this 'No Departments'.**
3. **Create all of his projects to sit under this placeholder department.**



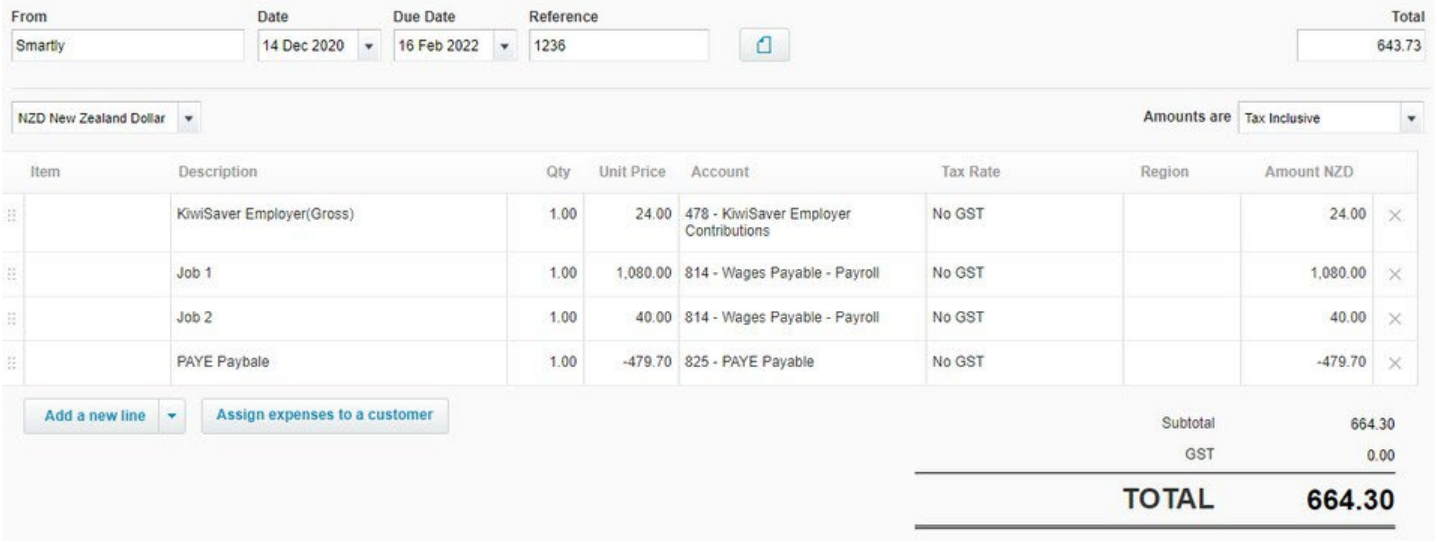

When a pay packet is created, the placeholder department name is still shown in the pay packet. An example pay packet looks like this:

### The employee's pay details screen



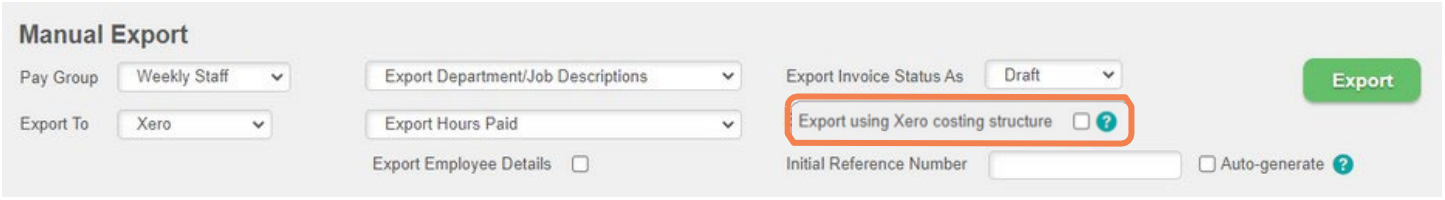
## How these pay details map to Xero:

| Pay Line (as it appears in Smartly) | Description | Account | Department |
|---|---|---|---|
| Wages > No Departments > Job A | Job A (Tier 3 Item Description) | 477 - Wages & Salaries (Tier 1 Accounting Code) | N/A |
| Wages > No Departments > Job B | Job B (Tier 3 Item Description) | 477 - Wages & Salaries (Tier 1 Accounting Code) | N/A |



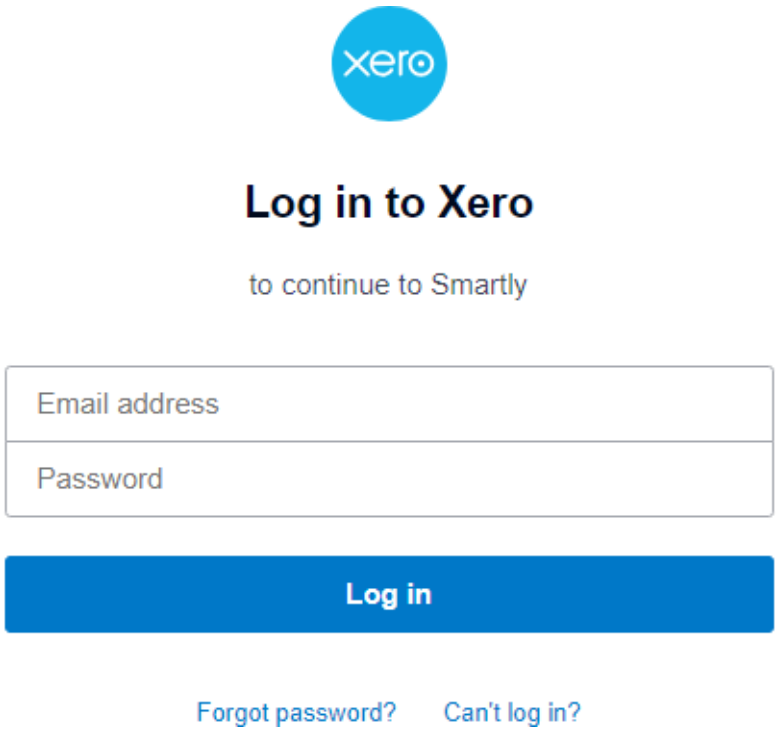

## Scenario 5: Department tracking and project/job reporting not required

If your business doesn't require departmental tracking and project/job reporting, the Xero costing structure isn't applicable. You will not need to tick the "Export using Xero costing structure" check box on the Export Pay Details screen.



# Establishing a connection

Before you can start exporting your pay data to Xero, you will need to authorise a connection. The system will prompt you to connect when you manually export your pay details for the first time or when you enable the automatic exports feature.



# We're here to help

Whether you're after some information, or you've got something niggly or urgent that you want to chat through with an expert – we've got you! Our customer support team can be reached on 0800 10 10 38, Monday to Friday, excluding public holidays.



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