

MACH-HR Management System

User Guide — Payroll

Version 1.1 • April 2026

<https://mach-hrm.com>

 Payroll Processing

 Statutory Deductions

 Reports & Compliance

NEW IN THIS VERSION

Version 1.1 updates (April 2026):

- Casual employee salary cap: ₦70,000/month maximum gross (NTA 2025 compliance).
- Payroll processing is now blocked for casual employees whose approved salary exceeds ₦70,000/month.
- Salary structure creation and editing is blocked above the ₦70,000 cap for casual employees.
- The process payroll screen now surfaces blocked employees with a clear error message.
- The payroll information page has been updated to reflect the new cap.

Introduction

This guide explains how to use the Payroll module in MACH-HR. It covers every stage of the payroll cycle — from configuring deduction settings, processing monthly payroll, managing salary structures, and tracking statutory obligations — through to generating compliance reports for FIRS, PENCOM, and state revenue services.

The guide is written for all users with no technical background required. Whether you are an HR Manager setting up the system for the first time, a payroll officer running monthly payroll, or an employee checking your own payslip, this document has a section for you.

Who This Guide Is For

Role	What They Can Do	Key Payroll Actions	Relevant Sections
Employee	View own payslips, check deduction history	View payslip PDF, review deductions	Viewing Your Payslip, Understanding Deductions
HR Manager / Payroll Officer	Generate payroll, manage salary structures, submit for approval	Process payroll, approve/reject, configure settings	All sections
Coordinator / Account Manager	Approve payroll submitted by HR or Payroll Officer	Cross-approve pending payroll	Payroll Approval Workflow
Org Admin (CEO)	Unrestricted access including self-approval	All actions including self-approve	All sections

Payroll Module Overview

The Payroll module handles the full monthly salary cycle for your organisation. It calculates statutory deductions automatically based on Nigerian law, supports the Nigeria Tax Act 2025 (NTA 2025), and generates all the compliance documentation you need to remit PAYE, pension, and NHF to the relevant authorities.

The Payroll Cycle





Every month follows the same sequence of steps:

Stage	Who Acts	What Happens
1. Configure	HR Manager / Org Admin	Set up salary structures, ensure payroll settings are correct, verify NHIS and tax mode are configured.
2. Preview	HR Manager / Payroll Officer	Run a preview to check net salaries for all employees before generating. No records are saved.

Stage	Who Acts	What Happens
3. Generate (Process)	HR Manager / Payroll Officer	Generate payroll for the selected month. All records are saved as DRAFT.
4. Submit	HR Manager / Payroll Officer	Submit all DRAFT records for approval by another authorised user.
5. Approve	Different authorised user	A second person reviews and approves the payroll. Self-approval is blocked (except Org Admin).
6. Pay Salaries	Org Admin / Account Manager	Select approved records and process bulk salary payments via wallet, Paystack, or direct debit.
7. Mark as Paid	Auto / Manual	After payment is confirmed, mark records as PAID. This triggers accounting ledger posting.
8. Tax & Pension Obligations	HR Manager / Payroll Officer	Create PAYE and pension obligation records, then remit to FIRS and PENCOR via Remita.

Payment Methods

Your organisation can pay salaries through four methods. The active method is set in Payroll Settings and shown on the main payroll dashboard.

Method	How It Works	Best For
 System Wallet	Fund an internal wallet. Bulk salary payments are disbursed from the wallet balance via Paystack.	Organisations wanting full in-system control.
 External Paystack	Connect your own Paystack account. Payments come directly from your Paystack balance.	Organisations that already use Paystack and want transactions visible in their own dashboard.
 Bank Direct Debit	A Remita mandate auto-debits your bank account when payroll is processed. Falls back to wallet on failure.	Organisations that want zero manual top-ups.
 Manual	Payroll is processed in the system for record-keeping, but you pay salaries outside (bank transfer, cash).	Organisations not yet ready for in-system payments.



Salary Structures

Salary Structures

Every employee must have an approved salary structure before payroll can be generated for them. A salary structure defines what an employee earns each month — their basic salary, allowances, and any recurring custom deductions.

What Is a Salary Structure?

A salary structure is a formal record of an employee's pay composition. It includes:

- Basic salary — the core monthly salary amount.
- Allowances — housing, transport, meal, utility, medical, entertainment, and other allowances.
- Bonus & rewards — one-off or recurring bonus amounts (included in gross pay).
- Custom deductions — recurring deductions like cooperative contributions, welfare dues, union fees (deducted from net pay, not from gross).

NOTE

Custom deductions (cooperative, welfare, union, etc.) do NOT affect the employee's gross salary. They are deducted from the net pay AFTER all statutory deductions have been applied.

Salary Structure Approval Workflow

Salary structures follow a four-stage approval process:

Stage	What Happens
1 — Draft	HR or Payroll Officer creates the salary structure. The employee cannot see it yet. It is not yet active.
2 — Pending	The creator submits it for approval. Another authorised person must now review it.
3 — Approved	An authorised reviewer approves it. The structure becomes the employee's active salary. Any previous active structure is automatically ended.
4 — Rejected	If there are errors, the reviewer rejects it with a reason. The creator can edit and resubmit.

TIP

Only APPROVED salary structures are used for payroll generation. If an employee does not have an approved structure for the payroll period, they will appear in the Errors list when you generate payroll.

Creating a Salary Structure

Go to Salary → Create New Structure. You will need:

1. Select the employee from the dropdown.
2. Set the effective date (the date from which this salary applies).
3. Enter the basic salary amount.
4. Add any allowances that apply.
5. Optionally add custom recurring deductions (cooperative, welfare, etc.).
6. Submit for approval.

IMPORTANT

The employee must have their bank details on file before you can create or edit their salary structure. If bank details are missing, the system will block you with a clear error message. Update the employee record first.

Casual Employee Salary Cap — NTA 2025

COMPLIANCE RULE

Under the Nigeria Tax Act 2025, casual employees earning more than ₦800,000 per year (₦66,667/month) would become liable for PAYE — which conflicts with their statutory exemption status.

To protect compliance, the system enforces a hard cap of ₦70,000/month gross for all casual employees.

The following actions are BLOCKED if the gross salary exceeds ₦70,000/month for a casual employee:

- Creating a new salary structure
- Editing an existing draft salary structure
- Running payroll (the employee is skipped with a clear error message)

If you have existing casual employees with approved salaries above ₦70,000/month, payroll will be blocked for those employees until the situation is resolved. You have two options:

Option	How to Do It
Reduce the salary to ₦70,000 or below	Create a new salary structure for the employee with a gross of ₦70,000 or less. Submit and approve the new structure. The next payroll run will process them correctly.

Option	How to Do It
Reclassify the employment type	Update the employee's employment type from 'casual' to the appropriate type (permanent, contract, or temporary) in their employee profile. Rerun payroll after reclassifying.

When payroll is processed and a casual employee is blocked due to this rule, the success screen will clearly show their name, employee number, and the reason. No other employees are affected.

Gross Salary vs Net Salary

Term	Explanation
Total Monthly Gross	Basic salary + all allowances + bonus/rewards. This is what the system uses for tax and pension calculations.
Total Deductions	PAYE + Pension (employee) + NHF + NHIS + loans + custom deductions + any misconduct deductions.
Net Salary (Take-Home)	Total Monthly Gross minus Total Deductions. This is what the employee receives.

Statutory Deductions

Statutory Deductions

Statutory deductions are amounts that the law requires to be deducted from an employee's salary and remitted to government bodies. The system calculates these automatically based on each employee's employment type, salary, and your organisation's settings.

The 15-Employee Threshold

Under the Pension Reform Act 2014 (Section 2(2)), organisations with 15 or more active employees must deduct pension contributions and NHF. Organisations with fewer than 15 employees are exempt from both.

Organisation Size	Deductions Applied
15 or more employees	PAYE + Pension (8% employee, 10% employer) + NHF (2.5% of basic) + NHIS
Fewer than 15 employees	PAYE + NHIS only — no pension, no NHF

NOTE

The system automatically counts your active employees every time payroll is generated. If your organisation grows past 15 during the month, the new threshold will apply on the next payroll run.

PAYE — Pay As You Earn

PAYE is a progressive income tax deducted monthly. From January 2026 onwards, all payroll uses the Nigeria Tax Act 2025 (NTA 2025) tax bands.

NTA 2025 Tax Bands

Annual Taxable Income	Tax Rate
First ₦800,000	0% — fully exempt
₦800,001 – ₦3,000,000	15%
₦3,000,001 – ₦12,000,000	18%
₦12,000,001 – ₦25,000,000	21%
₦25,000,001 – ₦50,000,000	23%
Above ₦50,000,000	25%

How PAYE Is Calculated

PAYE is calculated on chargeable (taxable) income, which is annual gross income after all allowable reliefs have been subtracted. The order of calculation is:

1. Start with Annual Gross Income (monthly gross × 12).
2. Subtract Pension contribution (8% of Basic + Housing + Transport, annualised).
3. Subtract NHF contribution (2.5% of basic salary, annualised).
4. Subtract NHIS employee contribution (annualised).
5. Subtract Rent Relief (20% of annual rent declared, capped at ₦500,000) — NTA 2025 only.
6. Subtract Life Insurance premiums (capped at lower of 15% of gross or ₦100,000) — NTA 2025 only.
7. The result is Chargeable Income. Apply the NTA 2025 tax bands above.
8. Divide the annual tax by 12 to get the monthly PAYE deduction.

TIP

Employees with annual gross income of ₦800,000 or less (about ₦66,667/month) are automatically exempt from PAYE under NTA 2025. The system marks them as 'PAYE Exempt' and deducts zero.

Rent Relief — How to Benefit

Under NTA 2025, employees can declare their annual rent to reduce their taxable income by up to ₦500,000 per year. To enable this:

- Go to the employee's profile and find the Financial Information section.
- Enter their Annual Rent Paid (the total rent they paid in the year).
- The system calculates 20% of this amount, capped at ₦500,000, and subtracts it from taxable income before applying PAYE bands.

NOTE

Without a declared rent amount, no rent relief is applied. The relief only affects PAYE — it does not change gross salary or any other deduction.

Pension

Pension deductions apply only to organisations with 15+ employees.

Party	Rate & Base
Employee contribution	8% of (Basic Salary + Housing Allowance + Transport Allowance)
Employer contribution	10% of (Basic Salary + Housing Allowance + Transport Allowance) — NOT deducted from employee, paid by the company

NOTE

Pension is calculated on pensionable income only (Basic + Housing + Transport), not on the full gross salary. Meal allowance, utility, medical, and other allowances are excluded from the pension base.

NHF — National Housing Fund

NHF applies only to organisations with 15+ employees, and only when the employee's basic salary meets the minimum threshold set in Payroll Settings (default: ₦2,500/month).

Rate: 2.5% of basic salary only (employee contribution). The employer has no separate NHF contribution.

NHIS — National Health Insurance Scheme

NHIS applies to all eligible employees regardless of organisation size. The system uses independent rates for employee and employer:

Party	Rate & Base
Employee contribution	5% of basic salary — deducted from employee pay
Employer contribution	10% of basic salary — paid by the company, not deducted from employee

NOTE

These are independent rates, not shares of a shared pool. The employee pays 5% separately; the employer pays 10% separately. Both are calculated on basic salary (or gross, if your org changes the setting).

Employment Type Treatment

Different employment types have different statutory deduction rules:

Employment Type	Condition	Statutory Deductions	Notes
Casual	Salary ≤ ₦70,000/month	None — fully exempt	NTA 2025 cap: salary above ₦70,000/month is blocked at salary creation and payroll processing.

Employment Type	Condition	Statutory Deductions	Notes
Intern / NYSC	Any salary, any duration	None — fully exempt	Hardcoded exemption. Cannot be overridden.
Temporary	Salary below minimum threshold	None — fully exempt	Threshold is configurable in Settings.
Temporary	Salary at or above threshold	PAYE, Pension*, NHF*, NHIS	* Only if org has 15+ employees.
Contract	Under 3 months tenure	PAYE only (+ NHIS if enabled)	Threshold months configurable.
Contract	3+ months tenure	PAYE, Pension*, NHF*, NHIS	* Only if org has 15+ employees.
Permanent	Any salary, any duration	PAYE, Pension*, NHF*, NHIS	* Only if org has 15+ employees.

COMPLIANCE RULE

Casual employees are capped at ₦70,000/month gross under NTA 2025.

If a casual employee's approved salary exceeds this amount, payroll processing will be blocked for that employee with a clear error message. You must either reduce their salary structure to ₦70,000 or below, or reclassify their employment type before payroll can be processed.

 **Processing Payroll**

Processing Payroll

Step 1 — Preview Payroll

Before generating payroll, always run a preview. The preview shows you the expected gross earnings, total deductions, and net salary for every eligible employee — without saving any records.

Go to Payroll → Process Payroll, select the month and year, and click Preview Net Salaries.

The preview also shows a statutory breakdown:

- Full Statutory — employees receiving all deductions (PAYE + Pension + NHF + NHIS).
- PAYE Only — employees receiving only PAYE (and possibly NHIS), but not pension/NHF.
- Exempt — employees exempt from all deductions (casual, intern, NYSC).
- PAYE Exempt (NTA 2025) — employees whose annual income is at or below ₦800,000, so PAYE is zero.

 **TIP**

Check the preview carefully before generating. Any employees with errors (missing salary structure, missing bank details, or casual employees exceeding ₦70,000/month) will appear in the Errors section at the bottom. Fix these before generating.

Step 2 — Generate Payroll

Click Process Payroll (or Generate). The system will:

1. Find all active employees with approved salary structures for the selected period.
2. Calculate gross earnings including overtime (if enabled in attendance settings).
3. Apply proration for any employee who joined or left mid-month.
4. Calculate all statutory deductions (PAYE, pension, NHF, NHIS) based on each employee's profile.
5. Deduct any active loan repayments due in the month.
6. Apply any absence or unpaid leave deductions.
7. Apply any misconduct financial penalties due in the month.
8. Apply custom salary-structure deductions (cooperative, welfare, etc.).
9. Save all records as DRAFT.

After generation, you will see a summary showing how many employees were processed, total gross, total deductions, and total net.

 **NOTE**

Any employees who could not be processed will appear in the Errors section with a full explanation. Common error reasons include:


- No approved salary structure for the period
- Duplicate payroll already exists for this period
- Casual employee salary exceeds ₦70,000/month — reclassify or reduce salary before reprocessing

Proration — Mid-Month Joiners and Leavers

If an employee joined the company this month (not in a previous month), their salary is prorated based on the number of working days they were employed:

Proration factor = Working days employed ÷ Total working days in month

All earnings components (basic, allowances, overtime) are multiplied by this factor. Statutory deductions are then calculated on the prorated amounts.

 **NOTE**

Proration only applies in the month of joining or the month of exit. For all other months, the full salary is used regardless of how many days the employee worked.

Step 3 — Submit for Approval

Once satisfied with the generated records, click Submit for Approval. All DRAFT records for the selected month are moved to PENDING status. The person who submitted cannot approve their own submission (unless they are the Org Admin).

Step 4 — Approve or Reject Payroll

A second authorised user must approve the payroll. The approval matrix is:

User Role	Can Approve Payroll Submitted By
Org Admin	Anyone, including themselves
HR Manager	Payroll Officer, Coordinator, Account Manager, Org Admin
Payroll Officer	HR Manager, Coordinator, Account Manager, Org Admin
Coordinator	HR Manager, Payroll Officer, Account Manager, Org Admin
Account Manager	HR Manager, Payroll Officer, Coordinator, Org Admin

 **IMPORTANT**

You cannot approve payroll that you yourself submitted. This is a mandatory four-eyes check. If you are the only authorised user, the Org Admin must approve.

If the approver rejects payroll, they must provide a reason. The records return to DRAFT status and the originator can make corrections before resubmitting.

Step 5 — Pay Salaries

Once approved, select the records you want to pay using the checkboxes in the payroll table, then click Pay Selected. The system will:

- Verify your payment method and available balance (if using wallet or external Paystack).
- Initiate bulk transfers to each employee's registered bank account.
- Update records to PAID status.
- Post the payroll to the accounting ledger automatically.

 **TIP**

If your payment method is Manual, you process the actual payments outside the system (bank transfer, etc.) and then click Mark as Paid in the system to update the records.

Viewing Payslips

For Employees

All employees can view their own payslips by going to Payroll → My Payslips. Select the month and year, and click View Payslip to see the full breakdown, or Download PDF to save a copy.

Your payslip shows:

- Earnings breakdown — basic salary, each allowance, and any bonus/reward items.
- Statutory deductions — PAYE, pension, NHF, NHIS with individual amounts.
- Other deductions — loan repayments, custom deductions (cooperative, welfare, etc.), misconduct penalties.
- Net salary — the amount transferred to your bank account.
- Employer contributions — pension employer share, NHIS employer share, NSITF, ITF (shown for information only; these are not deducted from your pay).
- Tax relief used — the monthly relief amount that was applied when calculating your PAYE.
- Statutory category — whether you received full deductions, PAYE only, or were exempt.

NOTE

The taxRelief figure on your payslip is the monthly relief amount (annual relief ÷ 12). To see the annual relief, multiply by 12. For NTA 2025 employees, this includes rent relief, pension, NHF, and NHIS contributions.

For HR and Managers

HR managers and payroll officers can view any employee's payslip from the Payroll records table. Click the View button next to a payroll record to open the payslip, or Download PDF to save it.

The payslip PDF is generated server-side and includes the organisation's name and address. For group companies with subsidiaries, the subsidiary's name and address are shown instead of the parent company.

 **Payroll Settings**

Payroll Settings

Payroll settings control how deductions are calculated across your entire organisation. Go to Payroll → Settings to configure these. Only HR Managers, Payroll Officers, and Org Admins can change settings.

Tax Calculation Mode

From January 2026 onwards, all payroll uses NTA 2025 (Nigeria Tax Act 2025). This is automatic and cannot be changed for payroll periods from 2026 onwards. PITA 2011 (legacy) is only available for historical payroll records from 2025 and earlier.

Salary Thresholds

Term	Definition
Minimum Salary Threshold	Temporary staff earning below this monthly amount are exempt from all statutory deductions. Default: ₦2,500/month.
Pension Minimum Salary	Your organisation's policy for the minimum basic salary required before pension is deducted. Applies only if the org also has 15+ employees. Default: ₦30,000/month.
NHF Minimum Salary	Your organisation's policy for the minimum basic salary required before NHF is deducted. Applies only if the org also has 15+ employees. Default: ₦30,000/month.
Casual Employee Salary Cap	Fixed at ₦70,000/month gross. This is a system-enforced compliance rule under NTA 2025 and cannot be changed in settings.

IMPORTANT

These thresholds are company policies that layer ON TOP of the legal 15-employee requirement. Even if your threshold is set to ₦0, pension and NHF will still not be deducted if your organisation has fewer than 15 employees.

NHIS Configuration

NHIS settings use the new independent-rate model. Employee and employer rates are set separately and are not shares of a shared pool:

Term	Definition
Employee Rate	The percentage of base salary deducted from the employee. Default: 5% (0.05). Enter as a decimal, e.g. 0.05 for 5%.
Employer Rate	The percentage of base salary paid by the employer separately. Default: 10% (0.10). This is NOT deducted from the employee.
Calculate on Basic Only	If enabled (recommended), NHIS is calculated on basic salary only. If disabled, it is calculated on total gross salary.

NOTE

The old NHIS model used a 'minimum rate with employee/employer shares' approach. This has been replaced. If you see legacy values in your settings (minimumRate, employeeShare, employerShare), the system will automatically convert them to the new model.

Contract Staff Configuration

Term	Definition
Short-term Contract Threshold	Contractors employed for fewer months than this threshold receive PAYE only (no pension, no NHF). Default: 3 months.
Apply NHIS to Short-term Contracts	Whether NHIS should be deducted from contractors under the duration threshold. Default: off.

Probation Period Settings

By default, employees on probation receive all statutory deductions from their first day — this is the legally compliant setting. The system allows HR to optionally defer some deductions during probation, but only with explicit legal risk acknowledgement.

IMPORTANT

Deferring pension, NHF, or NHIS during probation is NOT compliant with Nigerian law (PRA 2014). There is no probation exemption under the Pension Reform Act.

If you choose to defer deductions, you must explicitly acknowledge the compliance risk in the settings UI. A legal warning will be recorded in the audit log.

Employees on deferred-deduction probation will have their payroll remarks flagged as NON-COMPLIANT.

Custom Deductions

Custom deductions are recurring monthly deductions that are specific to your organisation — for example, contributions to a staff cooperative society, welfare fund, union dues, or savings scheme.

TIP

Custom deductions are NOT statutory. They are agreements between the employee and the organisation. They do NOT affect gross salary, and they do NOT affect PAYE calculations.

How Custom Deductions Work

Custom deductions are configured on the employee's individual salary structure, not globally. Each deduction has:

- Type — one of: Cooperative, Welfare, Contribution, Union, Association, Savings, Insurance, Charity, Other.
- Name — a descriptive label (e.g. 'Staff Cooperative', 'Welfare Fund').
- Amount — a fixed monthly deduction in Naira.
- Description (optional) — a note explaining the purpose.

During payroll generation, the system adds up all custom deductions from the employee's salary structure and deducts the total from net pay after statutory deductions have been applied.

On the payslip, custom deductions appear in the 'Other Deductions' section with their individual names and amounts.

Adding Custom Deductions to a Salary Structure

1. Open the employee's salary structure (create new or edit existing draft).
2. Scroll to the Custom Deductions section.
3. Click Add Deduction.
4. Select the type, enter a name, and enter the monthly amount.
5. Add as many deductions as needed.
6. Submit the salary structure for approval.

NOTE

Custom deductions take effect from the payroll period after the salary structure is approved. They continue every month until the salary structure is updated or replaced.

Loan Repayments

If your organisation has a staff loan facility, approved loans are automatically deducted from the employee's monthly payroll according to the repayment schedule.

How Loan Deductions Work

The system processes loan repayments automatically during payroll generation:

- For loans with a repayment schedule, the system looks for an instalment due in the current month (matching month and year). If one is found and it is still marked 'pending', it is deducted and marked 'paid'.
- For loans without a schedule, the standard monthly deduction amount is deducted every month until the loan balance reaches zero.
- When the outstanding balance reaches zero, the loan status is automatically changed to 'completed'.

NOTE

Loans are only deducted when their status is 'disbursed'. Approved but not-yet-disbursed loans are not deducted. The first deduction happens in the first full calendar month after disbursement — for example, a loan disbursed on 12 February will first be deducted in March payroll.


Reports & Compliance

Reports and Compliance

MACH-HR generates all the statutory reports you need to comply with FIRS, PENCOM, and state revenue service requirements. Go to Payroll → Reports to access them.

Available Reports

Report	Purpose	Download Format
PAYE Tax Remittance	Per-employee PAYE deductions for the selected month. Includes TIN, gross income, tax relief, and PAYE amount. Used for monthly remittance to FIRS.	Excel (.xlsx)
Multi-State Tax Report	PAYE grouped by state revenue service. Employees are grouped by the state of their work branch. Used when you have employees working across multiple states.	CSV
Pension Remittance	Employee and employer pension contributions grouped by Pension Fund Administrator (PFA). Includes RSA PIN. Used for monthly remittance to PENCOM.	Excel (.xlsx)

Generating a Report

1. Go to Payroll → Reports.
2. Select the report type (PAYE Tax, Multi-State Tax, or Pension).
3. Select the month and year.
4. Click Generate.
5. Review the report on screen.
6. Click Excel or CSV to download, or Print to print the report.


TIP

Reports can only be generated for months where payroll has been approved or paid. Draft payroll records are not included in reports.

Understanding Tax Relief in Reports

The Tax Relief column in the PAYE Tax Remittance report shows the monthly tax relief applied to each employee. This is the annual relief divided by 12. It includes:

- Pension contribution (annualised × 1/12)

- NHF contribution (annualised × 1/12)
- NHIS employee contribution (annualised × 1/12)
- Rent relief declared by the employee (annualised × 1/12, capped at ₦500,000/year)
- Life insurance premiums declared (capped at lower of 15% of gross or ₦100,000/year × 1/12)

PAYE Obligations — Tracking What You Owe FIRS

The Obligations tab in Payroll → Reports lets you track your monthly PAYE remittance obligations separately from the payroll itself.

After payroll is approved, go to Reports → PAYE Obligations → Create Obligation for Month. This creates a formal record of how much PAYE you owe for that month. You can then:

- Record a manual payment — enter the payment reference and date.
- Pay via Remita — enter your Remita Retrieval Reference (RRR) to route the payment directly to FIRS.
- Upload a receipt — attach proof of payment.

The PAYE obligations dashboard shows all months at a glance: how much was owed, how much was paid, which are overdue, and which are settled.

IMPORTANT

PAYE obligations are due by the 21st of the following month. Overdue obligations are flagged in red on the dashboard. Late filing attracts penalties from FIRS — typically 10% of unpaid tax plus 5% interest per annum.

Pension Obligations — Tracking What You Owe PENCUM

Similarly, after payroll is approved, go to Reports → Pension Obligations → Create Pension Obligation for Month. This tracks the combined employee (8%) and employer (10%) contributions due to PENCUM.

The pension obligations dashboard shows each month's obligation with a full breakdown by employee, PFA name, and RSA PIN.

NOTE

Pension contributions must be remitted by the 7th of the following month. The deadline is shown on each obligation record. Overdue records are flagged automatically.

Payroll Summary Dashboard

The main Payroll page shows a summary for the selected month and year.

Deduction Breakdown

The Deduction Breakdown card shows each category of deduction totalled across all employees for the month:

- PAYE — total income tax deducted across all employees.
- Pension (employee) — total employee pension contributions, with employer contributions shown below as a note.
- NHF — total NHF contributions.
- NHIS — total employee NHIS contributions, with employer contributions shown separately.
- Loans — total loan repayments.
- Custom (cooperative, welfare...) — total of all salary-structure custom deductions.
- Misconduct — total of any misconduct financial penalties.

Statutory Breakdown

The Statutory Breakdown section counts how many employees fall into each category:

Category	Badge Colour	Meaning	Notes
Full Statutory	Green	Employee received all applicable deductions: PAYE, Pension, NHF, NHIS.	
PAYE Only	Amber/Yellow	Employee received PAYE (and possibly NHIS) but not pension or NHF.	Usually because org has fewer than 15 employees, or employee is a short-term contractor.
Exempt	Grey	Employee received no deductions at all (casual, intern, NYSC).	Casual employees must be ≤ ₦70,000/month gross.
PAYE Exempt (NTA 2025)	Blue/Purple	Employee had PAYE calculated as zero because their annual taxable income is at or below ₦800,000.	

Wallet and Payment Management

Funding the Wallet

If your organisation uses the System Wallet payment method, you must ensure the wallet has enough balance before processing salary payments. Go to Payroll → Fund Wallet.

You can fund the wallet by:

- Bank payment (card payment) — instant credit.
- Bank transfer to the organisation's virtual account — credit usually within minutes.

The wallet page shows your current balance, available balance (minus any pending transactions), and full transaction history including all credits and debits.

IMPORTANT

If your available balance is less than the total net salary for the month, the system will display an 'Insufficient Balance' warning before you attempt to pay. Top up before processing.

Transfer Fees

Each salary transfer carries a small per-employee fee:

Net Salary per Employee	Fee per Transfer	Example
₦5,000 and below	₦10	10 employees at ≤₦5,000 = ₦100 total fees
₦5,001 – ₦50,000	₦25	10 employees at ₦30,000 each = ₦250 total fees
Above ₦50,000	₦50	10 employees at ₦100,000 each = ₦500 total fees

Bank Direct Debit Setup

If you prefer not to manually fund a wallet, Bank Direct Debit allows your bank account to be automatically debited when payroll is processed.

Go to Payroll → Direct Debit → Set Up Direct Debit. You will need:

1. Your business bank account details (account number and bank).
2. To verify with an OTP (for supported banks like FCMB, Zenith, Fidelity) for instant activation.
3. For all other banks, print the mandate form and take it to your branch, or activate via internet banking. Activation takes 1–2 business days.

 **NOTE**

If a direct debit payment fails (e.g. insufficient funds in the bank), the system automatically falls back to the wallet balance. If the wallet also has insufficient funds, the payment will fail and you will be notified.

Multi-State Tax Compliance

If your organisation has employees working in different states of Nigeria, you must file PAYE returns separately with each state's revenue service. The Multi-State Tax Report handles this automatically.

How States Are Determined

The system assigns each employee to a state based on the state of the branch they are assigned to (Employment → Branch → Address → State). Make sure each branch has its state configured correctly in the branch settings.

Multi-State Tax Report

Go to Payroll → Reports → Multi-State Tax. After generating, the report shows:

- A summary across all states — total PAYE, total employees, reporting period.
- A section for each state, showing the relevant State Revenue Service name, filing deadline, and a breakdown by branch within that state.
- Per-employee detail including TIN, gross income, tax relief, and PAYE.
- A compliance status — whether all employees who need a TIN have one on file.

IMPORTANT

Employees who have PAYE deducted but no TIN on file are flagged as 'MISSING - REQUIRED FOR FILING'. You must update their TIN in their employee profile before filing with the state revenue service.

Filing deadlines are the 10th of the following month for most states. Penalties for late filing vary by state but typically include a percentage penalty on unpaid tax plus interest.

NOTE

Casual employees are exempt from PAYE and therefore do not require a TIN. The report marks them as 'NOT REQUIRED (Exempt)'. Only employees with actual PAYE deductions need a TIN on file.

? Frequently Asked Questions

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An employee has no approved salary structure — what do I do?

The employee will appear in the Errors section when you generate payroll. To fix this: go to Salary → Create New Structure for the employee, fill in their salary details, submit for approval, and then regenerate payroll for that month.

A casual employee is blocked from payroll — what does that mean?

From April 2026, casual employees with an approved monthly gross salary above ~~£~~70,000 are blocked from payroll processing under the NTA 2025 compliance rules. The error message will name the specific employee and state the reason.

To resolve: either create a new salary structure for the employee with a gross of ~~£~~70,000 or less (submit and approve it), or reclassify their employment type from 'casual' to the appropriate type in their employee profile. Once resolved, rerun payroll.

Pension is not being deducted for any employees — why?

The most likely reason is that your organisation has fewer than 15 active employees. Pension deductions only apply to organisations with 15 or more employees under the Pension Reform Act 2014. Go to Payroll → Settings to see the organisation status card — it shows your current employee count and whether the pension threshold is met.

Why is NHIS showing 5% for the employee instead of a different rate?

The system now uses independent employee and employer rates, not shares of a shared pool. The employee pays 5% of basic salary directly; the employer pays 10% of basic salary as a separate cost. Both rates are configurable in Payroll → Settings → NHIS Configuration.

A payroll month shows the wrong tax relief amount — how is it calculated?

Tax relief on the payslip is always the monthly figure (annual relief ÷ 12). Annual relief under NTA 2025 includes: annualised pension contributions + annualised NHF + annualised NHIS + rent relief (from the employee's declared annual rent) + life insurance premiums. If rent relief seems missing, check that the employee has their annual rent declared in their Financial Information section.

Can I approve my own payroll?

Only the Org Admin can approve their own payroll. All other roles (HR Manager, Payroll Officer, Coordinator, Account Manager) are blocked from self-approval by the system. This is a mandatory four-eyes control. Have another authorised user approve the payroll.

The payroll was rejected — what happens to the records?

Rejected payroll records return to DRAFT status. The person who originally submitted the payroll can see the rejection reason, make any necessary corrections, and resubmit. The rejection reason is also logged in the audit trail.

How do I remove a custom deduction (like cooperative) from an employee?

You cannot edit an approved salary structure. To remove a custom deduction: create a new salary structure for the employee with the effective date set to the start of the next payroll month, leave out the deduction you want to remove, and submit the new structure for approval. The old structure will be deactivated when the new one is approved.

What happens if an employee's bank account is wrong?

The payment will fail. The bank transfer will be rejected by the receiving bank. The payroll record status will change to Failed. Update the employee's bank details in their profile, then contact the finance team to reprocess the failed payment.

My PAYE report shows employees without TINs. Is this a problem?

For employees with zero PAYE (exempt employees, PAYE-exempt by threshold, casual workers, interns), TIN is not required and the system will mark them as 'NOT REQUIRED'. For employees who do have PAYE deducted, TIN is mandatory for filing with the state revenue service. Update missing TINs in the employee profile's Identification section before filing.

Can I process payroll for just one employee?

Yes. On the Process Payroll page, there is an Employee IDs field in the advanced options where you can specify individual employee IDs. Only those employees will be processed, leaving all others untouched for the month.

What is the difference between 'Payroll submitted for approval' and 'Payroll approved'?

Submitting moves records from DRAFT to PENDING. Approving moves records from PENDING to APPROVED. Salary payments can only be made once payroll is in APPROVED status. This two-stage process ensures every payroll run is reviewed by at least two people.

I have existing casual employees with salaries above ₦70,000. What do I do right now?

These employees will appear in the Errors section every time payroll is run until the issue is resolved. You have two options:

1. Reduce their salary: Create a new salary structure with a gross of ₦70,000 or less, submit and approve it. Payroll will process them correctly from the next run.
2. Reclassify their employment type: If the employee is genuinely not casual (i.e. they work regular hours or have an ongoing contract), update their employment type in their employee profile to permanent, contract, or temporary as appropriate.

 **NOTE**

Past payroll records for these employees are unaffected. Only future payroll runs are blocked until the issue is resolved. Existing approved salary structures above ₦70,000 remain on file for audit purposes.

Need further help? Contact your HR Manager or reach out to support@machi-kunzult.com