

PAYROLL OUTSOURCING

FREEING UP TIME, FUELING GROWTH

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INTRODUCTION



Payroll management is a critical business function in Nepal, involving tasks such as

- salary calculations,
- tax deductions, and
- compliance with labor laws.

In today's fast-paced economy, managing payroll in-house can be complex and time-consuming. As a result, many businesses are turning to payroll outsourcing as a strategic solution to improve efficiency and ensure compliance.

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KEY PAYROLL LAWS IN NEPAL

- 01 Labor Act, 2074 (2017) and Labor Rules, 2075 (2018)
- 02 Contributions Based Social Security Act, 2074 (2017) and Contributions Based Social Security Regulations, 2075 (2018)
- 03 Bonus Act 2030 (1974) and Bonus Rules, 2039 (1983)
- 04 Employee Provident Fund Act, 2019 (1962)
- 05 Income Tax Act, 2058 (2002) and Income Tax Regulation, 2059 (2003)

MEANING

PAYROLL

refers to the process by which a company calculates and distributes wages or salaries to its employees.

PAYROLL OUTSOURCING

OUTSOURCING

is the practice of delegating specific tasks or services to an external service provider,

PAYROLL OUTSOURCING

is therefore basically hiring a third-party service provider with a team of experts to manage the company's payroll process.

BENEFITS



1

Cost Efficiency

Reduces the cost of hiring full-time staff and investing in payroll software or IT infrastructure.

2

Compliance and Accuracy

Ensures proper tax filings, regulatory compliance, and timely disbursement of salaries.

3

Access to Expertise:

Outsourcing partners bring experience in multi-sector payroll management and updated regulatory knowledge.

4

Employee Satisfaction:

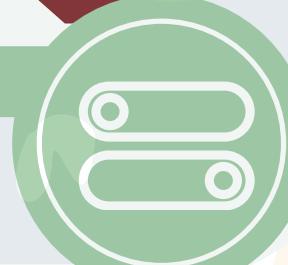
Payroll accuracy and timeliness heighten employee morale and confidence.

CHALLENGES AND RISKS

01

Data Security and Privacy

Protecting employee financial and personal data is crucial.



02

Compliance Risks

Misinterpretation of local tax laws or employment codes can lead to penalties.



03

Dependence on Service Providers

Delays or errors from the service provider's side can affect employee satisfaction.



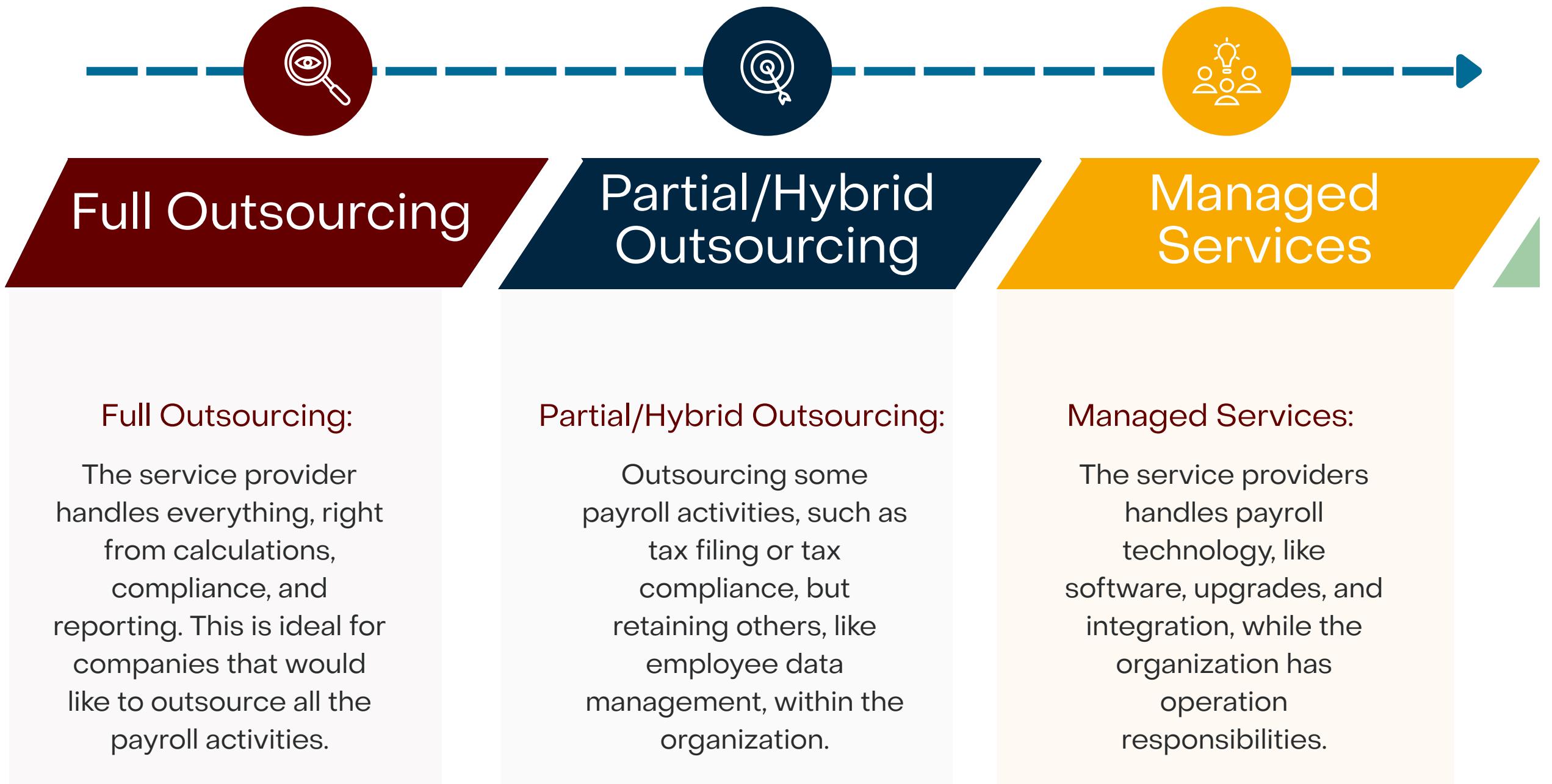
04

Communication Barriers

Miscommunication with external service providers can disrupt the payroll cycle.



SERVICE MODELS



KEY CONSIDERATIONS



COST ANALYSIS

Compare the cost of outsourcing to the cost of maintaining an in-house payroll system.



COMPLIANCE & EXPERTISE

Verify the service provider's expertise on local labor legislation, tax laws, and compliance regulations.



DATA SECURITY

Make sure the provider has reasonable security features to protect sensitive employee information.



TECHNOLOGY AND INTEGRATION

Check whether service provider's technology can be easily integrated into the company's existing HR or accounting systems.



SCALABILITY

Check whether the service provider has the capacity to accommodate the business expansion or changes in workforce size.

THE SERVICES



01
Monthly Salary Disbursement and Payslips:
Timely preparation and transfer of employee salaries with accurate payslips detailing earnings, deductions, and net pay.

02
Tax Deduction at Source (TDS) Filing:
Calculation, deduction, and submission of applicable taxes from salaries to the Inland Revenue Department as per Nepali tax laws.

03
Social Security Fund (SSF) Enrollment and Contributions:
Registration of employees in the SSF system and monthly deposits of employer-employee contributions as mandated.

04
Provident Fund (PF) and Gratuity:
Regular management of provident fund contributions and accurate calculation of gratuity benefits in compliance with labor law.

05
Labor Compliance and Salary Structuring as per the Labor Act, 2074:
Structuring employee compensation in line with legal standards including minimum wages, allowances, and leave policies.

06
Leave and Attendance Management Aligned with legal Compliance:
Monitoring of employee attendance and leave records ensuring alignment with contractual and legal leave entitlements.

COMPARISON: IN-HOUSE VS. OUTSOURCING

In-House Payroll

VS

Outsourcing Payroll

Costs

- Salaries for Payroll staff
- Payroll software fees
- Training and compliance costs
- Infrastructure and administrative expenses

- Charges per employees.
- May include additional service fees.

Advantages

- Full control over the processes.
- Immediate Adjustment/ Customization

- Cost Effective.
- Access to experts and tools.
- Saves time and reduces administrative burden.

Disadvantages

- High fixed costs
- Resource intensive.
- Staff turnover Issues

- Dependency on third parties
- Data privacy concerns.

PAYROLL CHALLENGES NEPAL

1	Unclear Tax and other regimes on payments by third parties	5	Privacy of Payroll Information within the organization
2	Frequent updates in tax rates, SSF schemes, and regulatory circulars	6	Management of accurate leave records
3	Meeting Salary Disbursement Deadlines	7	Limited awareness of automated systems and outsourcing advantages
4	Integration of payroll data with accounting software	8	Providing timely pay slips and addressing payroll queries

KEY CONTACTS

Drop us a mail at enquiry@reliancecs.co for more information on our work in this arena and your requests.

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