

Gratuity and end of service

Human resources and payroll

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Calculate service pay and final dues for an employee who leaves.

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Plan availability

Included in the **Enterprise** plan. Contact us if you want to upgrade.

Overview

When an employee leaves, you settle their **final dues**. These can include unpaid salary, accrued leave, notice pay and **gratuity** or service pay. Hesabu ERP has a **Gratuity** feature that calculates the amount from rules you define.

Prerequisites

The gratuity feature must be enabled in your plan. If **Gratuity Rule** does not appear in search, contact support.

> **Check the law.** Entitlements such as service pay and notice depend on the Employment Act, the person's contract and, in some cases, pension scheme membership. Confirm with your lawyer or the Ministry of Labour before you set your rules. Do not use the figures in the example as a legal standard.

Steps

Create a gratuity rule

1. Search for **Gratuity Rule** and click **Add Gratuity Rule**.
2. Name the rule and choose the **Calculate Gratuity Amount Based On**: the *Current Slab* or a *Sum of all previous slabs*.
3. In the slabs table, enter **From(Year)** and **To(Year)**, and the **Fraction of Applicable Earnings** (for example 0.5 for half a month's pay per year).
4. Choose the **Salary Component** that is used as the base, such as *Basic Salary*.
5. Save.

Calculate for a leaver

1. Search for **Gratuity** and click **Add Gratuity**.

2. Choose the **Employee** and the **Gratuity Rule**. The system works out **Current Work Experience** and **Total Amount** from the rule and the relieving date.
3. To pay through payroll, tick **Pay via Salary Slip** and choose the **Payroll Date** and **Salary Component**. An **Additional Salary** is created when you submit.
4. To pay separately, leave it unticked, set the **Payable Account**, **Expense Account** and **Mode of Payment**, submit, then click **Create Payment Entry**.

Final settlement checklist

1. Set the employee's **Status** to *Left* and the **Relieving Date**. See Employees.
2. Pay salary up to the last day, with unpaid leave deducted.
3. Pay out accrued leave if your policy or contract says so. See Leave types, allocations and applications.
4. Recover any outstanding advances. See Employee advances and salary deductions.
5. Calculate gratuity, and apply statutory deductions that are due on the final pay. See Kenyan statutory deductions.
6. Collect company property, and issue a certificate of service.

Practical example

A rule gives half a month's basic pay for each full year of service. A storekeeper with four completed years and a basic salary of KES 40,000 is owed 4 × 20,000 = KES 80,000 under this rule. HR creates the gratuity, adds it as an additional salary for the final month, and runs payroll.

Important notes

- Each rule applies to those it is written for. Use different rules for permanent and contract staff if needed.
- Keep a copy of the final settlement signed by the employee.

Common mistakes

- Setting the employee to *Left* before running the final payroll, so the slip is not created.
- Forgetting taxes that may apply to the final payment.

Next steps

Read Employee appraisals.

Related documentation

- Employees
- Salary components and structures
- Leave types, allocations and applications