

Employee advances and salary deductions

Human resources and payroll

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Give an employee a salary advance and recover it through payroll. Formal loans with interest are not available.

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Plan availability

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

Overview

An **Employee Advance** records money you give an employee before the work or expense happens, or as an advance on salary. You can recover it by having the employee claim it against expenses, return it, or have it deducted from salary.

Loans are not available

Hesabu ERP does not include a lending feature. There are no loan products, loan applications, interest or repayment schedules. For a loan you want recovered in instalments, record the advance, then create one **Additional Salary** deduction for each month.

Prerequisites

- The employee record exists. See Employees.
- A **Salary Component** of type *Deduction*, such as *Advance Recovery*. See Salary components and structures.
- An **Advance Account** set for the company, such as *Employee Advances*. See The chart of accounts.

Steps

Record the advance

1. Search for **Employee Advance** and click **Add Employee Advance**.
2. Choose the **Employee**, enter the **Purpose** and the **Advance Amount**.
3. Choose the **Mode of Payment** and check the **Advance Account**.
4. Save and submit. The status is *Unpaid*.
5. Click **Create**, then **Payment** to pay it. The status becomes *Paid*.

Recover it from salary

1. Open the paid advance and click **Create**, then **Deduction from Salary**.
2. An **Additional Salary** opens with the **Employee** and the unrecovered **Amount**. Choose the *Advance Recovery* **Salary Component** and the **Payroll Date**.
3. To recover in instalments, tick **Is Recurring**, set the **From Date** and **To Date**, and enter the monthly **Amount**.
4. Save and submit. The amount is deducted when you run payroll for that date. See Running payroll and payslips.

Other ways to settle an advance

- **Claim against expenses:** from the advance click **Create**, then **Expense Claim**. The claimed amount reduces what the employee owes. See Expense claims.
- **Return unused money:** click **Create**, then **Return**, and choose the bank or cash account.

The **Status** moves through *Unpaid*, *Paid*, *Claimed*, *Returned* or *Partly Claimed and Returned*. The **Pending Amount** shows what is still outstanding.

Practical example

A driver asks for a KES 30,000 salary advance. The manager approves it, and accounts pay it. HR creates a recurring **Additional Salary** of KES 5,000 from January to June. Each payslip shows the *Advance Recovery* deduction.

Important notes

- Deductions reduce take-home pay. Agree the amount with the employee in writing, and check Kenyan limits on salary deductions with your lawyer.
- No interest is calculated. If you charge interest, add it to the deduction amount yourself.
- Check that the pending amount reaches zero before the employee leaves. See Gratuity and final settlement.

Common mistakes

- Paying out cash without recording an Employee Advance.
- Forgetting to submit the Additional Salary, so nothing is deducted.
- Setting the recurring dates wrongly, so recovery stops early or runs too long.

Related documentation

- Salary components and structures
- Running payroll and payslips
- Expense claims