



# 11 Payroll Mistakes that cost companies time & money

**...and how to avoid them.**

# The Hidden Cost of Payroll Errors



**45% of Indian companies** experience payroll errors at least once a year, leading to operational disruptions.



₹25,000–₹1,00,000 is the typical fine per statutory violation under Indian labour laws.



**Trust erosion and higher attrition** result from payroll mistakes, impacting employee satisfaction and retention.

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*Source: superworks.com | Keka India HR Insights, 2023 | Corrida Legal – Code on Wages Penalty Structure (2023)*

# #1: Incorrect Attendance Data



Small errors in timesheets or biometrics cause big payroll mismatches.



## Common Issues:

- Manual timesheet errors
- Biometric system glitches
- Missed punch-ins/outs
- Holiday miscalculations

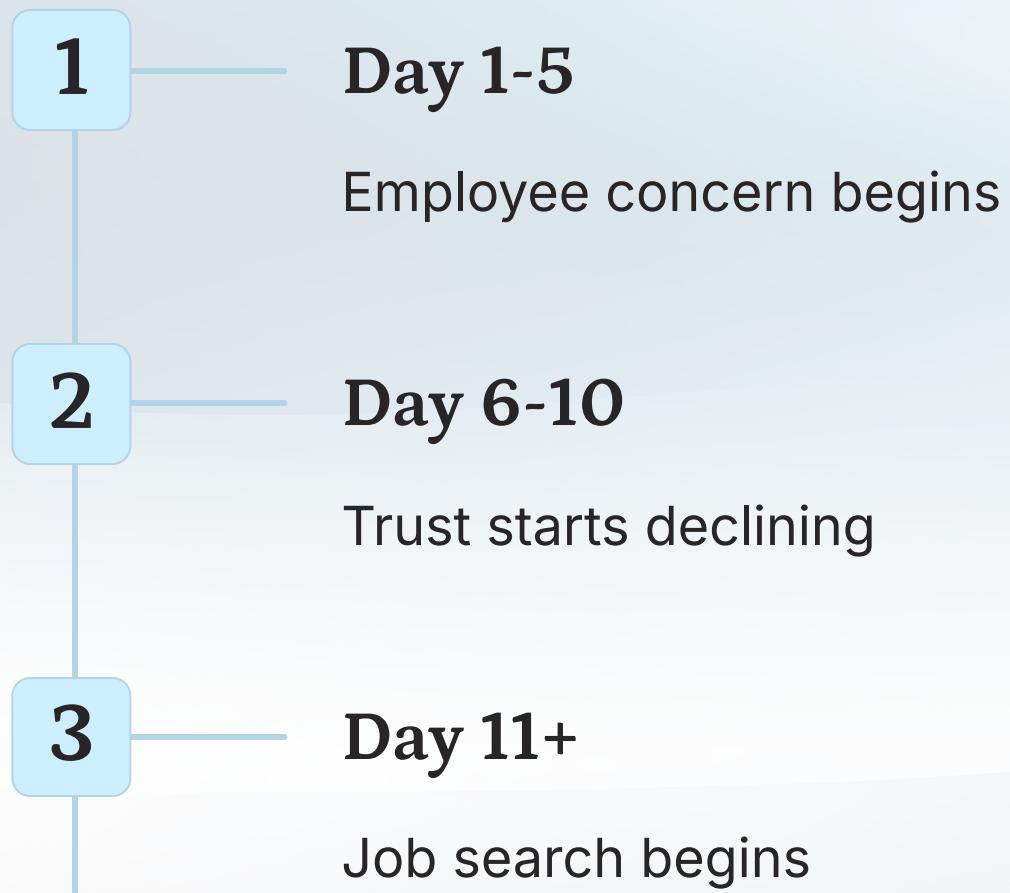
### 👉 The Fix

**Integrate attendance with payroll software.** Real-time sync eliminates manual data entry errors and ensures accurate salary calculations.

# #3: Delayed Salary Disbursal

Late payments erode employee trust.

"When salaries are delayed, employees start looking for new jobs. It's the fastest way to lose good talent."



✓ ✌️ **The Fix:** Lock payroll calendars & automate bank transfers. Set up recurring payment schedules with backup approval workflows.

# #4: Mismanaged Statutory Contributions

PF/ESIC miscalculations expose companies during audits.



## PF Contributions

12% employee + 12% employer

Ceiling: ₹15,000 basic salary

## ESIC Contributions

0.75% employee + 3.25% employer

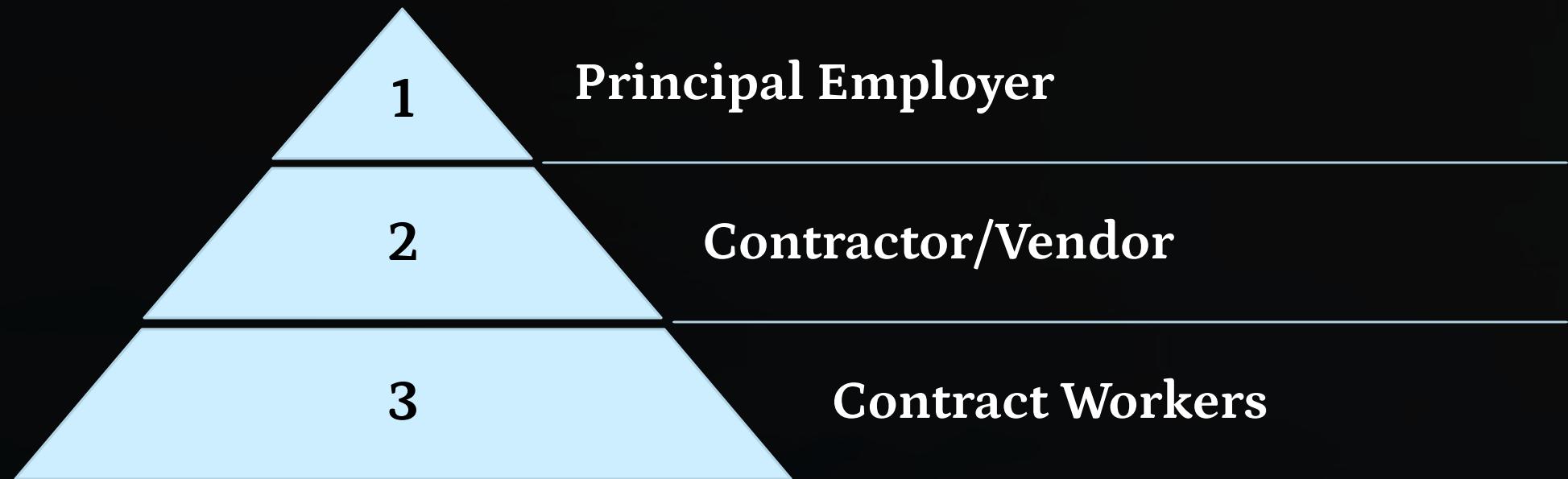
Ceiling: ₹21,000 gross salary

- ✖ **Audit Risks:** Incorrect statutory calculations can result in penalties up to 12% of the contribution amount plus interest.

- ✓ **👉 The Fix:** Automate statutory deductions + compliance filings. Use integrated systems that update contribution rates automatically.

# #5: Ignoring Contractor Payroll

Principal employer liable for vendor payment lapses.



## Legal Liability

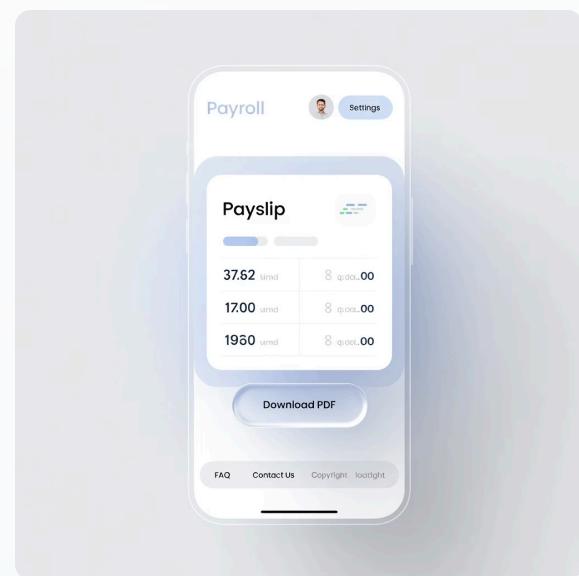
- Joint liability for wage payments
- Statutory compliance responsibility
- Audit exposure during inspections

## Risk Mitigation

- Regular vendor payroll audits
- Compliance certificate verification
- Centralised monitoring system

🕒 ➡️ **The Fix:** Vendor payroll audits + centralised compliance monitoring.  
Implement monthly compliance checks and payment verification.

# #6: Lack of Payslip Transparency



Employees can't track deductions → mistrust.

"I never understood where my money was going until I got a detailed digital payslip. Now I trust the process completely."



## Transparency Issues

Unclear deduction codes, missing breakdowns, no explanation of calculations



## Employee Confusion

Frequent HR queries, salary disputes, reduced trust in payroll process



## Digital Solution

Interactive payslips with detailed breakdowns and explanation tooltips



👉 **The Fix:** Digital payslips with breakdown of earnings & deductions. Include explanatory notes and year-to-date summaries.

# #7: Manual Payroll Processing

Human errors creep in when systems aren't automated.

## Manual Process Risks

- Data entry errors
- Formula mistakes in spreadsheets
- Version control issues
- Time-consuming calculations

## Automation Benefits

- 99.9% calculation accuracy
- Built-in error detection
- Audit trails and version control
- 80% time savings



👉 **The Fix:** Move to payroll tech with built-in error detection.  
Implement automated workflows with exception handling.

# #8: Poor Record Keeping

Missing wage registers, muster rolls → penalties in inspections.

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## Required Records

- Wage registers
- Muster rolls
- Overtime records
- Leave registers

## Retention Period

- Wage records: 3 years
- PF records: 6 years
- ESIC records: 6 years
- Tax records: 8 years

✖ **Inspection Penalties:** Missing statutory records can result in fines ranging from ₹25,000 to ₹1,00,000 per violation.

✓ ➡ **The Fix:** Digitize all statutory records & store securely. Implement cloud-based storage with automated backup and retrieval systems.

Source: epfindia.gov / esic.gov / Income Tax Act

# #9: Wrong Benefit Calculations

Miscalculated leave encashment, gratuity, or bonuses = disputes.

-  Leave Encashment errors (wrong balance or rate)
-  Gratuity miscalculations (less than 5 years, wrong formula)
-  Incorrect Bonus % / Working Days used
-  Outdated policy logic in system

| *Source: Payment of Gratuity Act, 1972; Bonus Act, 1965*



## The Fix: Use payroll tools to keep system updated

- Auto-sync new policies
- Auto-calculate **statutory bonus** per latest wage thresholds
- Flag mismatches
- Show benefit breakdowns in payslips
-  Update **gratuity formula** (15 days salary × no. of years)

# #10: No Data Security in Payroll

Spreadsheets leak sensitive employee data.

## ✖ Security Risks:

- Unencrypted salary data
- Shared spreadsheet access
- No audit trails
- Email-based data sharing



## Data Encryption

End-to-end encryption for all payroll data storage and transmission



## Access Control

Role-based permissions with multi-factor authentication



## Audit Trails

Complete logging of all data access and modifications



## Secure Backup

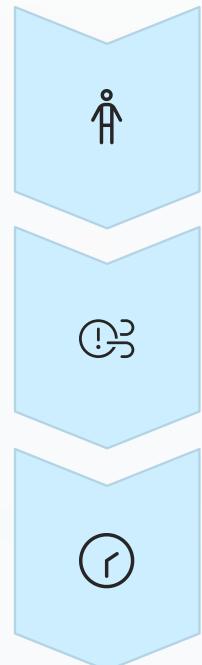
Automated encrypted backups with disaster recovery protocols



👉 **The Fix:** Use encrypted payroll systems with access control. Implement enterprise-grade security with regular security audits.

# #11: No Contingency Planning

Single payroll manager absence delays the cycle.



## Single Point of Failure

One person handles entire payroll process

## Risk Scenarios

Illness, resignation, or emergency absence

## Impact

Delayed salaries and compliance violations

## Build Redundancies

- Cross-train multiple team members
- Document all payroll processes
- Create standard operating procedures

## Assign Backups

- Primary and secondary payroll managers
- Emergency approval workflows
- Vendor support agreements

🕒 ➡️ **The Fix:** Build payroll redundancies + assign backups. Create comprehensive business continuity plans with regular testing.

# Transform Your Payroll Today



## End-to-End Automation

From attendance integration to bank transfers, eliminate manual errors completely



## Compliance Integration

Real-time updates for tax slabs, statutory rates, and regulatory changes



## Proactive Audits

Monthly compliance checks and audit-ready documentation

- ⓘ **TalentCo delivers 99.9% payroll accuracy with end-to-end automation, compliance integration, and proactive audits. Partner with TalentCo to make payroll error-free.**

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