

# MYOB Essentials Payroll

## Annual Holiday Entitlement - Accrual Method

June 2020

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# Introduction

In March 2019, we contacted you to advise of upcoming updates to MYOB Essentials Payroll. At that time, we released an update that we hope has prompted a review of your payroll system, and/or employee set up, as well as evaluation of your compliance with the Holidays Act (2003).

This document provides an overview of the software changes to the system and highlights key actions employers need/ed to complete prior to implementation of the product updates.

Please note that this information will apply to you if you have employees whose holiday entitlement is calculated using the pro-rata basis. This method is no longer recommended (please refer to [Managing Annual Holidays in Weeks](#) for updated management of Annual Holidays in Essentials) however Holiday entitlements using this method prior to March 2019 will need to be reviewed for accuracy of the payment. You can check your employees leave settings in their employee record.

Disclaimer: This document provides guidance on how to manage leave entitlements within our product. We recommend that you read the MBIE document "*Holidays Act 2003: Guidance on annual holidays, domestic violence, leave, bereavement leave, alternative holidays, public holidays and sick leave*" to understand how to meet your obligations as an employer under the Holidays Act 2003. If you have further questions or are in doubt, it is best to seek legal advice to ensure you are meeting your obligations.

MBIE Website [Minimum leave and holidays entitlements](#)

## Background

MYOB Essentials Payroll supports an optional holidays accrual method which calculates an employee's four weeks of Annual Holidays based on the hours worked in the previous entitlement year (pro-rata). You can check your employees leave settings in their employee record.

Historically, this method has been used when an employee's hours varied unpredictably across pay periods, so that it was difficult to determine what a working week was for the purpose of Annual Holidays. It is important to note that this method is not defined within the Holidays Act and MBIE's guidance cautions about its use, as there is risk that an employee may not receive their full four weeks of leave.

While MYOB Essentials Payroll continues to support this method of leave calculation, we caution that it should only be used when an agreement exists to use it and that it should be reviewed regularly in case a work pattern has changed or become predictable.

As such, we recommend reviewing your employees' leave setup and changing this from pro-rata to fixed.

# What has changed

In MYOB Essentials Payroll, the pro-rata basis of proportioning holiday entitlements calculates based on hours worked. This is the rate of 4/52 (which is 0.769) multiplied by the number of hours worked.

Prior to this change, when an employee took leave, if their leave calculated on a pro-rata basis, they did not accrue leave whilst taking holidays.

The changes in this release are:

- The pro-rata leave basis calculation has changed to 4/52 (which is 0.769) and is now multiplied by **both** the number of hours worked and holiday hours paid.
- The default leave calculation option for new employees is now fixed (a specified number of hours per year), not pro-rata. This can be manually changed to pro-rata however it is not recommended this method is used.

Employee details Tax Pay items - earnings & deductions Leave KiwiSaver

### Annual leave

Annual entitlement:  weeks (pro-rata)  hrs/year (fixed)

Holiday pay:  %

If you have used the pro-rata method, it's possible that employees were not given correct annual holiday entitlements on their anniversary.

If you haven't already, you should check the amount of accrued leave that has been added for your employees for prior years. To help with this, you can run the [Leave report](#) (detailed view). Here's an example:

15/02/2019 - 21/02/2019	2.92	0.00
15/02/2019 - 21/02/2019	2.92	0.00
19/02/2019 - 25/02/2019	2.92	0.00
17/03/2019 - 23/03/2019	2.92	0.00
24/03/2019 - 30/03/2019	2.92	0.00
24/03/2019 - 30/03/2019	2.92	0.00
17/06/2019 - 23/06/2019	2.92	77.38
Leave rolled over on anniversary [01/04]		