

MYOB Essentials Payroll

Annual Holiday Payment Rate

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Introduction

The complexity of the Holidays Act is well understood, and issues of implementation are an ongoing challenge for businesses across New Zealand.

MYOB Essentials Payroll is committed to helping employers meet their obligations under the Holidays Act 2003. There are areas of the Act which require manual intervention with MYOB Essentials Payroll to ensure compliance and avoid under or over payments for certain leave types.

This document provides an overview of the manual intervention required and what you may need to consider when paying annual holidays which span multiple pay periods.

Manual intervention will be required by you if you need to pay your employee for an annual holiday which spans multiple pay periods and their pay rate is going to change any time during that holiday period. If their pay rate increases, then this will result in an overpayment and in the unlikely scenario their pay rate decreases, then this will result in an underpayment.

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 [Calculating payments for holidays and leave](#)

Background

Section 21 of The Holidays Act 2003 requires that your employee's Annual Holiday payment is calculated as at the beginning of the leave period (Payments for Ordinary Weekly Pay at the beginning of the Annual Holiday or for Average Weekly Earnings calculated from the last pay period before the Annual Holiday).

Although you need to use the same rate of payment throughout the whole period of leave, you can agree with your employee to continue to pay annual holiday payments in your normal pay cycle instead of paying it prior to the leave; many employers take this approach. For example, if an employee who is normally paid weekly takes two weeks of annual holidays, this would be paid in two weekly pay periods. This agreement should be included in your employee's employment agreement.

If you choose (and agree with your employee) to pay in your normal pay cycle it is important that you use the rate of pay as at the beginning of the leave to avoid the possibility of paying employees at a different rate in the subsequent pay periods. This can occur if your employee's Average Weekly Earnings varies from week to week (due to variations in their work pattern and/or earnings over the previous 52 weeks), or they have a change in their rate of pay in that period.

What is required

When your employee's annual holiday spans multiple pay periods and, by agreement, you are paying them as part of your normal pay cycle, you must review the rate of pay for the holiday payment prior to processing your pay to ensure their leave rate hasn't dropped from the first payment. If the leave rate drops, you will need to manually change the rate to match the first period.

If the rate has increased, you can choose to manually change the rate to match the first period or pay the higher rate (this would be providing above the requirements of the Act so would not raise an issue of non-compliance).

For instructions on changing this rate, see [Leave calculations](#).

Reviewing required changes

If you have been manually reviewing and adjusting Annual Holiday payments as described in this document, you won't need to do anything except to continue this process.

If you need to start to review your Annual Holidays payments, check if this affects your employees by running the [Annual Leave report \(detailed view\)](#) and check when leave was taken across multiple pay periods. You can then view any affected employees' pay slips to check the annual holiday rate paid.

What next

If you have identified an underpayment through the process above, you will need to back pay this in the employee's next pay. See the [Back pay](#) help topic for details. If you have identified an overpayment it is important to seek guidance from MBIE or your employment relations advisor prior to deciding to recover this from your employees.

Managing the Software

If you're paying leave across multiple pay periods, be sure to follow our help topic [Leave calculations](#).