

MYOB Essentials Payroll

Annual Leave Pro-Rata to Fixed Conversion



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Contents

Background	1
Determine the available balance	2
Calculate the Estimated Leave Accrued since Anniversary	2

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.

Background

The Holidays Act 2003 provides all employees 4 weeks Annual Holidays after 12 ¹months’ continuous employment. Ensuring that your employees receive their full entitlement each year is an important part of your obligations under the Act. To manage Annual Holidays for your employees you need to ensure you have an agreement with them on what a working week means (i.e. how many days or hours), this must genuinely reflect their working pattern at the time of any holidays taken.

Given the need to ensure you know how much time your employee is entitled to for Annual Holidays, if you use the Annual Leave Pro-rata method in Essentials Payroll, you will need to move your employees to the Annual Leave Fixed method. This will provide an accurate allocation of time based on the agreed working pattern of your employees.

If you continue to use the Pro-rata method, you will need to manage the entitlement for time manually outside of the product. This is because the Pro-rata method allocates a portion of time for Annual Leave, for every hour paid. Rather than allocating (or accruing) a period of time, based on the employees agreed working pattern. To convert employees from Annual Leave Pro-rata to Annual Leave Fixed method, you will need to:

1. **Set the correct leave method for Annual Leave Entitlement.** This requires you to change any employees on Pro-rata to Fixed. We recommend you have an agreement with your employees on the genuine definition of a working week, this includes those working variable or irregular hours. You will need this to determine their Annual Leave entitlement, based off that agreement i.e. if you agree with your employee that their working week is 25 hours, this will give them an entitlement of 100 hours per year. If this pattern changes you must update the balance as per the [Managing Holidays in Weeks](#) guide.
2. **Follow the steps below to manually calculate the Annual Leave entitlement.** This may require a leave adjustment, which you can refer to the help topic [Updating leave balances](#). The following calculation is the same in every scenario. If you have employees with variable working patterns, you will need to try to find a

pattern of work or agree an averaging method with them. If you are unable to find a pattern of work and are unsure of your obligation's you will need to seek advice from your business advisor.

Determine the Available Balance

Step 1:

Create a **Detailed Annual Leave** Report for the employee dated from the employee's Start Date to the End of the current month.

Step 2:

Calculate the total leave entitlement from the employee's Start Date till last Anniversary.

The Calculation:

Number of Years (at least 6 years)

X Fixed Hours per Year (Hours per week X 4)

= Balance

Step 3:

Subtract the **total hours taken** from the calculated balance from (Step 2). The employee's total hours taken will be a combination of any previous leave taken, in Ace payroll and Essentials Payroll. This will give the **Available Balance**.

Step 4:

Adjust the **Available Balance Adjustment** field, located in the employees leave tab, until the **Available Balance** matches the amount calculated in step 3.

Calculate the Estimated Leave Accrued since Anniversary

Step 1:

Determine the **Estimated Leave accrued** per pay run.

The calculation:

Fixed Leave Hours per year (Hours per week X 4)

/ number of pay runs in a full year (This depends on your pay cycle i.e. Weekly = 52, Fortnightly = 26, Monthly = 12)

= **Estimated Leave accrued** per pay run.

Step 2:

With the **Estimated Leave accrued** per pay run, multiply this by the number of pay runs which have occurred since the employees last Anniversary. Please refer to the **Detailed Leave report** or **Pay History** to determine the total number of pay runs during this period. (Number of Pay runs since last Anniversary X **Estimated Leave accrued per pay run** = **Estimated Leave accrued since Anniversary**) Note: The roll-over pay period is also included in this calculation.

Step 3:

Adjust the **Estimated Leave accrued since Anniversary** balance by calculating the difference between the amount calculated in (Step 2) and the current **Estimated Leave accrued since Anniversary**. Enter the difference into the **Estimated Leave accrued adjustment** field. The **Estimated Leave accrued since last Anniversary** will not update until the next pay run is processed.