MYOB Essentials Payroll

FBAPS Rate Calculations

June 2020

Contents

Introduction

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

In May 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 who are paid Family Violence Leave, Bereavement Leave, Alternative Holidays, Public Holidays or Sick Leave (these leave types are typically referred to as FBAPS).

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 [Relevant daily pay and average daily pay](#)

Background

The Holidays Act 2003 provides that FBAPS (Family Violence, Bereavement, Alternative Days, Public holidays & Sick leave) leave is to be paid in days using Relevant Daily Pay (RDP) or in certain circumstances, Average Daily Pay (ADP) i.e. the Act states that ADP should only be used when it is not "possible or practicable" to determine RDP or if the employees daily pay varies within the pay period where the holiday or leave falls.

Relevant Daily Pay

The Holidays Act 2003 defines RDP as *"the amount of pay that the employee would have received had the employee worked on the day concerned".*

Unlike some other types of Holidays, there isn't a specific formula used to derive RDP. Instead it needs to be determined based on the circumstances, and this will often require your judgement.

Average Daily Pay

ADP is a daily average of your employees' gross earnings over the past 52 weeks. The calculation divides gross earnings by the number of whole or part days worked in the period. If your employee is taking less than a day, the daily value is then divided by their agreed or actual hours for the day to come to an accurate rate to pay.

Section 14 of The Holidays Act 2003 details the meaning of Gross Earnings and for guidance on what must be included and what can be excluded, please refer to the MBIE website: Gross earnings

What has changed

Managing RDP cannot be automated in Payroll software and requires you to manually process it at the time you are paying FBAPS Leave.

You will need to check that the correct hours and payment items are included. If your employee's hours vary from day to day you will need to enter the number of hours your employee would have actually worked on the day.

In addition, you will need to ensure that on top of any base wage or salary rate, you include any other relevant payments that your employee would have received had they worked. This could include:

- productivity or incentive payments, including commission or piece rates; if the employee would have received those payments had they worked (this needs to be considered carefully and we recommend you seek advice if you are unsure of your obligations)
- overtime payments
- the cash value of board and lodgings provided
- allowances for the day or particular shift should continue to be paid

For ADP, prior to this change, MYOB Essentials Payroll calculated and paid ADP using hours rather than days worked. The ADP calculation used an average hourly rate by dividing gross earnings for the past 12 months by the number of hours worked.

The changes in the May 2019 release were:

- To include a counter of days for the calculation of ADP. This requires you to enter the number of days per week the normally work in the Pay Details screen. If your employee always works the same number of days per week you can set this to autofill in the employee's pay run.

- However, if your employee works any day outside their normal days each week you will need to enter the 'days being paid this period' in the pay run.
- It is important to enter any holidays or leave being paid in the period when you enter the days in the payrun, the ADP calculation now divides gross earnings for the past 52 weeks by the number of days worked, including paid leave.

Description	Rate $	Hours	Amount
Normal	34.00	40.00	1,360.00
Add holidays or leave			
Days being paid this period			5.00

Reviewing the change

When this changed was introduced in May 2019, the days worked was estimated for the past period of 12 months based on the number entered in the pay details screen. Reviewing this at the time was required to ensure the ADP was calculating by the actual number of whole or part days worked.

We recommend you review the estimated days at the time of the change and previous FBAPS payments. For RDP, if you haven't manually determined what should be paid to your employee based on what would have been paid had they been at work and the correct hours and payment items were not included, there is a chance some leave entitlements may have been underpaid. For ADP, the averaging method prior to this change may have resulted in an incorrect rate.

We understand that reviewing these changes is complex and we recommend you engage your accountant or your employment relations advisor prior to conducting this review if you think you have employees who may be affected.

If you identify an underpayment, process a back pay in the next pay. 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.

Software Changes

To learn more about leave calculations, see our online help