

MYOB Essentials Payroll

Managing Holiday and Leave Rate Exclusions

June 2020



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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 June 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 with unpredictable work patterns and/or have payments or allowances other than salary or wages.

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 [Gross earnings](#)

Background

Payment for Annual Holidays is to be paid at the greater of your employee's Ordinary Weekly Pay (OWP) i.e. what they would have been paid had they been at work, or their Average Weekly Earnings (AWE) for the previous 12 months.

Payment for Payment for Family Violence, Bereavement, Alternative, Public Holidays and Sick Leave (FBAPS) is to be paid using Relevant Daily Pay (RDP), or Average

Daily Pay (ADP) (only if you are unable to determine RDP).

The formulas for AWE and ADP, take your employees Gross Earnings from the last 52 weeks and divide by 52 to determine a weekly or daily value.

If your employee is taking less than a week or a day, the weekly or daily value is then divided by their agreed hours or days to come to an accurate rate to pay.

In order for this to be accurate, you need to ensure that what genuinely represents a working week or day (i.e. the number of days or hours) for your employees, is very clear and/or agreed with them and that your employment agreements state this.

This needs to be loaded to the system and kept up to date so when it is used by the calculations, you are confident you will come to an accurate rate of pay.

For more information on determining and agreeing with your employees what is genuinely a working week for them please refer to the MBIE Guidance: [Holidays Act 2003](#).

The AWE and ADP calculations use your employees Gross Earnings over the last 52 weeks to determine the rate of pay that applies to the Holiday or Leave your employee is taking. 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

Prior to this change all payments made to your employees were included in Gross earnings.

MYOB Essentials Payroll software still automatically calculates AWE and ADP as described above, so long as the agreed hours in the system are accurate and you have the right payments included in your employees Gross Earnings.

In June 2019, we introduced a change to allow the option of choosing the pay items you wish to exclude from Gross Earnings when calculating holiday and leave payments.

In order to guarantee compliance with the Holidays Act 2003, by default all payments will be included. This means if you want to avoid overpayment to your employees for Holidays (AWE) and Leave (where you use ADP) you will need to decide any payments you will exclude.

You should refer to the MBIE Guidance [Holidays Act 2003](#) for a fuller explanation of these terms including the definition of regular and what should be included and excluded from Gross Earnings.

Reviewing the change

If you haven't already, review your pay items to ensure they're set up correctly. To see which types of payments can be excluded from gross earnings, see the MBIE website: [Gross Earnings](#).

What next

If your payments are not set up correctly, use the help topic below to adjust them.

If you haven't manually excluded payments from Gross Earnings at the time you have paid holidays or leave to your employees, it's possible this has resulted in an overpayment. If wish to review your payments to identify any overpayments, you can do this by reviewing each employee's leave payments and manually identifying overpayments.

It is important to note that this overpayment gives a greater entitlement than in the Holidays Act 2003, so you won't have a risk of non-compliance. If you identify 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

For all the details on creating and using pay items, [see this help topic](#).

In order to exclude pay items from gross earnings you need to tick the box as demonstrated below when you set the item up. You can also go into your existing pay items now and update.

Create new earning ✕

Type
Bonus

Name
Bonus

Name for payslip ⓘ
Xmas Bonus

Rate ⓘ
Fixed amount

Amount \$
0.00

Tax
Taxable

Don't include in KiwiSaver contributions ⓘ

Don't include in gross earnings when calculating leave payments ⓘ

Don't accrue annual leave hours on this pay item for pro-rata employees ⓘ

Cancel Save