

MYOB Essentials Payroll

Parental Leave Pays AWE

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Introduction

The complexity of the Holidays Act 2003 is universally acknowledged, 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 your employees became entitled to while on Parental Leave.

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

The Holidays Act 2003 provides all employees 4 weeks Annual Holidays after 12 months' continuous employment. Your employee's time on parental leave is included as continuous service so they will retain their entitlement to Annual Holidays whilst on parental leave.

However, the payment for this entitlement of Annual Holidays when your employee returns to work is affected by the parental leave.

Instead of calculating and paying the greater of your employees Ordinary Weekly Pay (OWP) or Average Weekly Earnings (AWE), the payment for the entitlement to holidays earned while on parental leave is at AWE only.

It gets a little complicated in that if you wish to pay AWE only when your employee uses this holiday entitlement, you need to separate the holiday time your employee became entitled to while on parental leave from any existing or future entitlement, as these must still be paid at the greater of OWP or AWE.

Should you wish to go above the provisions of the Holidays Act 2003 you can pay these holidays as you would for all Annual Holidays in which case you do not need to separate the holidays balances.

It is important to refer to the MBIE website for guidance on managing parental leave payments and we recommend you seek advice from your employment relations advisor if you are not sure of your obligations.

What is required

MYOB Essentials does not automatically track annual leave earned while on parental leave and pay that at AWE only. We have [created a help topic](#) which details how to manage your employee taking parental leave and paying annual holidays upon their return.

If you have been manually reviewing and adjusting Annual Holiday payments for your employees returning from parental leave, you won't need to do anything except to continue this process. If you have had employees who have been paid annual holidays after a period of parental leave at the rate calculated automatically by MYOB Essentials, it's possible this has resulted in an overpayment.

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.

Reviewing required changes

You can start to manually update the payment for Annual Holidays earned on Parental Leave by following the process in the link below.

If you have been paying Annual Holidays without adjusting to pay AWE only and wish to review your payments to identify any overpayments, you can do this by reviewing each employee's leave payments and manually identifying overpayments.

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.

Managing the Software

For details on managing your employees taking parental leave and paying annual holidays upon their return, see [Paid parental leave](#).