MYOB Exo Payroll

Annual Holiday Payment Rate

June 2020

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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.

The latest release of MYOB Exo Payroll includes an update which requires a review of your payroll system process, and/or employee set up and evaluation of your compliance with the Holidays Act. This document provides an overview of the software updates to the system and what you should consider before implementing any changes.

Please note this information will apply to you if your employees' annual holiday has previously, or will span, multiple pay periods. If the pay rate is not fixed to the beginning of the holiday period and their pay rate increases, then this will result in an overpayment and in the unlikely scenario their payrate 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 annual holiday payment rates](#)

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 individual 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 changing

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).

The changes in this release let you specify a start date for an employee's holiday—the system automatically uses the Holiday Pay rate as at this date, ensuring that it does not change during the time that the employee is on leave. In addition, if you are paying Holidays from a prior period, the rate from the previous period will now be paid rather than your employee's current rate of pay.

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 once you have upgraded to the latest release of MYOB Exo Payroll.

If you need to start to review your Holiday Pay payments, review the leave paid report of employees who have taken leave across multiple periods and check the rate recorded for their Holiday Pay.

What next

If you have identified an underpayment through the process above, you can identify the backpay amount and backpay this to the employee via an allowance. 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

MYOB Exo Payroll has made the following updates to the product, which are available once the MYOB Exo Employer Services 2020.06 release is installed.

To:

- pay Holiday Pay as at an earlier date, use the **Holiday start date** field on the Holiday Pay tab of the Leave Management window **or**
- prevent the possibility of an employee's Holiday Pay rate changing from one pay to the next when their leave spans multiple pay periods, a **Holiday start date** is available on the Holiday Pay tab of the Leave Management window:

The date entered in this field will be used to determine the employee's Holiday Pay rate for the duration of their leave. Once the employee returns from their leave, this field can be cleared (when no date is entered, the Holiday Pay rate is calculated as normal.) The **Holiday Pay Rate as on:** date on the right of the Current Pay window shows the date that will be used to calculate the Holiday Pay rate.