

# MYOB Exo Payroll

## Payment exclusions from OWP 4 week average formula

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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.

With the release of Exo Payroll 2017.01, we contacted you to advise of upcoming updates to MYOB Exo 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 variable work patterns or payments that are not a regular part of their pay.

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

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.

Section 8 of The Holidays Act 2003 details the payment for OWP and provides a formula to be used where you are unable to determine what the ordinary pay for your employee is. This is generally when your employee works variable hours or days or they have regular payments such as overtime, commissions or lodgings. The formula takes their Gross Earnings from the last 4 weeks and divides by 4 to determine a value.

How you calculate Gross Earnings for this OWP calculation is different to that used elsewhere in the Act (such as for AWE) as it excludes certain payments. These are:

- (i) productivity or incentive-based payments that are not a regular part of the employee's pay:
- (ii) payments for overtime that are not a regular part of the employee's pay:
- (iii) any one-off or exceptional payments

You should refer to the MBIE Holidays Act Guidance for a fuller explanation of these terms including the definition of regular and what should be included and excluded from Ordinary Weekly Pay.

When using OWP (i.e. what they would have earned or the 4-week average formula) you should ensure that the Gross Earnings value includes the correct payments.

# What changed

MYOB Exo Payroll automatically calculates the greater of OWP and AWE for the payment of Annual Holidays. OWP is calculated based on either the Employees Standard Pay template or the 4-week average formula, or you can the higher of the two depending on the employee setup.

Exo Employer Services release 2017.01 included the ability to exclude certain payments for calculating the OWP rates. Prior to this change, when paying annual holidays, you were required to manually reduce the gross earnings by the total of any irregular payments.

Version 2017.01 added an **Exclude from Ordinary Earnings** option for allowances. By enabling this option, you can exclude irregular payments for the calculation of the OWP calculations.

# Managing the Software

In Exo Payroll, Allowance Maintenance all allowances have the option to include or exclude the payment from various calculations.

For any payments that are mentioned above that are to be excluded from Ordinary Weekly Pay calculations:

- Tick the **Add to gross for Holiday Pay** tick box
- Tick the **Exclude from Ordinary Earnings** tick box.

This will ensure that the allowances are added to gross for the Average Weekly Earnings (52 week average) calculation but excluded from both the Standard Pay and 4-week average rate calculations.

The screenshot shows the 'Allowance Maintenance' window in MYOB Exo Payroll. The window title is 'Exo Allowance Maintenance'. The main form contains the following fields and options:

- Code: 13
- Name: Annual Profit Share
- Global Loading:
- Taxable:  Taxable  Non-Taxable
- Calculation Method: Fixed Dollar Amount
- Amount: 0.0000
- Pay Rate Type: All (Maximum Number: 0.00)
- Wage Rate Code: (empty)
- Type: Extra Pay
- Cost Centre: (empty) Employee's Default
- Extra Pay Rate: 17.50
- Historical Allowance:

The 'Options' section at the bottom contains the following checkboxes:

- Add to Gross for Holiday Pay
- Add to Gross for Super
- Add to Gross for Relevant Daily Rate
- Add Eamer Levy
- Not Liable for ACC
- Add to Gross for KiwiSaver
- Can Modify Name
- Eligible for PG
- Exclude from Ordinary Earnings

At the bottom of the window, there are navigation buttons: Prev : F7, Next : F8, Find : F9, Add : F4, Delete : F6, and Exit : Esc.

For more details, see the help topic [Editing Allowances](#).