

MYOB Exo Payroll

Parental Leave Annual Holiday Payments

June 2020



Contents

- Introduction2
- Background2
- What is changing.....3
- After the change3
- Software Changes3

Introduction

The complexity of the Holidays Act 2003 is universally acknowledged, 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 to effectively manage Annual Holidays associated with Parental Leave. 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 you have employees who have returned from 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 annual holiday payment rates](#)

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 that would be paid at AWE only, from any holiday that should be paid at the greater of the comparison rates OWP vs. 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 changing

Prior to this change, MYOB Exo Payroll did not automate the payment of AWE for annual holidays taken after a period of parental leave. You would need to manually track the employee's outstanding balance of Annual Holidays and the dates that they were on parental leave, zero the employee's Standard Pay and track them as zero gross payments through every pay while they are away. When the employee returned you would need to override the leave rate to pay AWE only for any leave that they employee became entitled to while on parental leave for the 12 months afterward.

The changes in this release provide the ability to enter start and end dates for employees' Parental Leave in order to track the balances.

After the change

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 once you have upgraded to the latest release of MYOB Exo Payroll. If you have had employees who have been paid annual holidays after a period of parental leave at the rate previously calculated automatically by MYOB Exo Payroll, 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.

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.

Software Changes

MYOB Exo Payroll 2020.06 includes the following updates to the product, which can be enabled when an employer is ready to use them by ticking the **Calculate Holiday Pay in Weeks** option on the Leave Management Setup window.

The 2020.06 release adds the ability to enter details of Parental Leave paid to employees. Clicking the **Parental Leave** button on the Holiday Pay tab of the Employee Management window opens the Parental Leave window:

Parental Leave

Employee: 1 Wallace, Edward James

Start Date: / /

End Date: / /

Holiday pay outstanding when Parental Leave started (Days): 22.00

Holiday pay outstanding when Parental Leave started (Weeks): 4.40

Load outstanding

Save : F10 Exit : Esc

Use this window to enter the start and end dates of the employee's Parental Leave. (The end date can be left empty if it isn't currently known.)

The window shows the employee's outstanding Holiday Pay amount in hours/days and in weeks, as at the entered start date. These values are editable and can be updated as necessary. Clicking the **Load outstanding** button updates these fields with the employee's current amounts.

The system will warn users when an employee returns from a period of parental leave.

Please note the system does not currently automatically calculate leave at AWE upon return from AWE. When the product is released, we will issue a whitepaper for further details of how to manage this scenario.