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Overview

Guide Summary

This User Guide is intended to help the **SmoothPay** User to set up Annual Holiday Leave and other Leave correctly and discusses establishing and changing leave accrual methods and paying out leave and final pays to your Employees.

SmoothPay provides a comprehensive variety of methods of leave accrual, recording and valuation of that leave when it is taken, as well as various options on how to show the Employee's leave balances on *Payslips*.

SmoothPay wil automatically calculate the *annual leave averages* and *Relevant Daily Pay* rates in accordance with our interpretation of the Holidays Act and other relevant publications, unless you have elected to override the Holidays Act settings.

Any clarification required of the Holidays Act should be sought from the Labour Department.

It is important to appreciate that the Holidays Act prescribes the methods to be used, and we advise sticking to the Act and recommended program settings.

We hope you find the information contained in this Factsheet useful.

If you have any additional questions, please feel free to call our **HelpDesk** for assistance.

Does SmoothPay comply with and provide for the requirements of, the Holidays Act?

Yes. **SmoothPay** provides the mechanisms for accruing, paying and recording leave in accordance with the Holidays Act. When used correctly, **SmoothPay's** results will be as per the requirements of the Act.

A Statement of Compliance is available on request from the **HelpDesk** which explains how **SmoothPay** meets the requirements with specific reference to Section 81 of the Act (Holiday and Leave Record).

Recommended Settings

1. Set each Employee's **Annual Leave** accrual method to 4 weeks (unless Casual), set their Anniversary Date to their natural Start Date (or latest anniversary). For new Employees, we recommend using the default settings.

   See notes below if you'd like to implement a common Company Anniversary.
2. Set the Employee's **number of days worked** (any part day is regarded as ONE day) in *Edit Employee...More...Contract* screen.
3. Set each Employee's **Sick Leave** accural method to 5 days with a maximum to 20 days.
4. **Special and Alternative Leave** should be set to be recorded in days.
5. For new Employees, do not change the defaults. They should be 4 weeks annual (unless Casual), 5 days Sick (unless Casual).
6. If you wish to see *leave estimated to date* on Payslips, then you can set this in *Company Setup...Payslip* settings.

   The recommended settings are:
   - *Holidays*: Balance from last anniversary.

     This is in accordance with the Act's provisions that leave accrues AFTER 12 months service. To show it any other way may be misleading and inaccurate if the Employee leaves as the final calculation will be based on actual work since anniversary and not an arbitrary guess based on time elapsed since the last anniversary. You can however elect to show the leave accrual "to date".
   - *Sick*: Do not show.

     The reasoning here is that if an Employee is constantly appraised of their Sick Leave entitlement, then it eventually becomes accepted as an entitlement that must be used.

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- *Special*: Do not show.

  Inapplicable these days, as all Special Leave types are "self-balancing", or should be set that way in *Payroll Codes...Special Leave Codes*. The Act provides for the minimum provisions for Special Leave (eg Bereavement), so that when you pay out Special Leave the same amount is granted to the Employee resulting in a zero balance. Some Employers provide for a special week's leave after a period of service, this may be added to their entitlement and used up via a *non-balancing Special Leave code*.
- *Alternative*: Show on Payslip.

  This leave may be accrued and paid out when used, or paid out by agreement if remaining unused as determined by the Act.

Comments

Leave MUST BE RECORDED in order to comply with the Act. This applies to all Employees, be they Salaried, Casual, etc.

All Employee's anniversaries should be set to their actual start date anniversary, rather than a "Company" anniversary. **SmoothPay** will take care of leave taken in advance due to Christmas closures etc.

The concept of "Company" anniversaries was originally implemented to make the manual calculation of Annual Leave easier, but causes additional problems, ie. when an Employee's annual entitlement changes from 4 to 5 weeks, you would need to compute the portion of the 5 weeks leave from the Employee's last natural anniversary to the "Company" anniversary, and add that to the portion of the 4 weeks leave up to their last anniversary. A complicated and unnecessary task.

Casual Employees should be set up at 8% per pay period, which **SmoothPay** will pay automatically each pay. A casual Employee works on an "on call" basis, and their employment contract is deemed terminated at the end of each pay period.

An option is available to suit Casual Employees on an inclusive rate, especially Orchard workers on piece rates. This requires the Employee to be set up as Casual, zero% leave accrual and tick the option in *Company Setup...Holidays Act...Casual Employees Paid Inclusive Rate.* This permits you to pay Employees an inclusive rate for piecework, and have the 8% content of the Gross pay to be calculated and shown on the Employee's Payslip as a $value.

Pay Rate Assistants

SmoothPay provides a series of *Pay Rate Assistants* that suggest the best applicable pay rate, an option to use up remaining leave balances, and a reporting option that indicates exactly how the suggested pay rates were derived from your Employee's pay history.

During *Time Input*, selection of a Leave Type will trigger the prompt with a 'Do you know what the Employee would have earned?' dialogue box. If you select *No*, the appropriate *Pay Rate Assistant* will display. It will provide the automatic selection of the best applicable *Pay Rate* for that Leave Type.

By "usually" we mean that you can configure **SmoothPay** to opt-out of some of this behaviour (*Company Setup...Holidays Act...Do Not Auto Display Pay Rates Assistant*). Even then, the *Pay Rate Assistants* can generally be used by clicking the **Assistant** button on the *Time Input* screen.

Annual Leave Pay Rate Assistant

In this example, the Full-Time Employee accrues/uses annual leave in WEEKS (the ONLY legal method). The *Assistant* displays applicable options for the other leave accrual methods as required. This screen also permits entry of days or hours, which are then converted into "proportional weeks" if necessary.

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Notice that in this case the Average weekly pay (last 52 weeks) is pre-selected as the best available, even though the average for the last 4 weeks is greater – the reason for this is the User has set an option to ignore 4-weekly** averages for annual leave purposes, as they often work a lot of overtime near Christmas. Of course, you can select a different option, or even enter your own specific rate in the *Time Input* screen.

** *A system-wide setting is available (Company Setup...Holidays Act) that allows the 4-week average to be ignored for annual leave value calculations, but should only be used where Employees work truly regular work patterns.*

If the employee has insufficient leave remaining to cover a period of Company close-down, then we recommend using the "***Pay $value***" option. This pays out your current real liability to the Employee, and if they don't return after the close-down you won't have overpaid them.

Choosing ***OK*** wil cause the *Time Input* entry to be updated with your selections.

Choosing ***Print*** wil produce a Report showing the basis for the calculations used to determine the average pay rate information displayed on the screen.

Choosing ***Annual Leave*** will open the *Annual Leave Factsheet,* which is also available on our website.

Choosing ***Cash-up*** will add one week's *Cash-Up value* to the Employee's Allowance entry screen and deduct one week from the Employee's balance – see the *Cashing Up Annual Leave Factsheet* on our website for more detailed information.

Choosing ***More*** and/or ***Show Calcs*** wil display detailed information as per the *Print* option.

The initial value of 1 week is supplied as a default value. You can change this in whole and/or part weeks, eg 1 day is usually .2 of a 5-day work week etc.

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Assistant for Other Leave Types

Sick Leave: Relevant Pay Rate Assistant - Full time Salary (5 days/wk)

Absent for 1.00 Days (or 0.00 hours) (balance available is 5 days) Pay out all leave

I know EXACTLY what the employee would have earned

OK

or, select applicable pay rate	$Per Day
1. Ordinary DAILY pay rate	291.78
2. Average ordinary DAILY rate (from 49 weeks)	97.19
3. Agreed special rate of relevant DAILY pay	0.00
4. Rate entered	0.00

245.00 days paid in the last 49 weeks

At a glance: Daily payment pattern and averages for the last 4 weeks

Sunday (0)	0.00
Monday (0)	0.00
Tuesday (0)	0.00
Wednesday (0)	0.00
Thursday (0)	0.00
Friday (2)	2826.93
Saturday (0)	0.00

Print this

Sick

Show calcs

The recommended option, or your preferred default, is already marked when you enter this screen.
The Holidays Act generally provides for payment using the best Relevant Daily Pay, unless you know exactly what the employee would have earned on each day off (including potential overtime, allowances etc)

Average calculations based on the following factors from pay history

Factors used to value average daily pay
Recorded values from 23/06/2010: 49 weeks, 245 total days paid, 755 total Ordinary hours, $23823.09 liable earnings

In this example, the Employee accrues/uses Sick Leave in DAYS (the recommended option for all "Other" Leave Types with the exception of ACC).

Note: whilst this example Company utilises DATED *Pay Input*, making the individual *Relevant Daily Pay* options available, it hasn't been correctly used or perhaps not been implemented long enough to give accurate results, so shows values attributable to period end dates rather than individual days – only programmers work 70 hour days.

The *Assistant* automatically displays applicable options for different leave accrual methods and other leave types automatically (Sick, Special, Public, Lieu/Alternative and 1st week ACC). **SmoothPay** will always default to one of the first 4 options displayed, rather than a specific day for the reasons given in the previous example, however you can choose a single day for proper RDP purposes if required. This is recommended if you are really using *dated input*.

The *ACC Assistant* will also advise what 80% of a normal week is for the Employee, and will check your *units input* to make sure it is not more than the maximum liability for you as an Employer.

Please note in this example, the *Ordinary Daily Rate* is the best available, being more than the average over the last 52 (in this case 49) weeks, so has been automatically selected by the *Assistant.* Of course you can select a different rate, or even enter your own specific rate in the *Time Input* screen.
The initial value of 1 day is supplied as a default value. You can change this in whole and/or part days, eg 1.5 for one and a half days.

You can also elect to "*Pay out all leave*" (available only for Sick, Special and Alternative leave) if you wish which will replace the 1 with 5 in this case.

Choosing ***OK*** will cause the Time Input entry to be updated with your selections.

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Choosing ***Print this*** will produce a Report showing the basis for the calculations used to determine the RDP and average pay rate information displayed on the screen.

Choosing ***Sick Leave*** will open the *Sick Leave Factsheet*, which is also available on our website.

Choosing ***Show Calcs*** wil display detailed information as per the *Print* option.

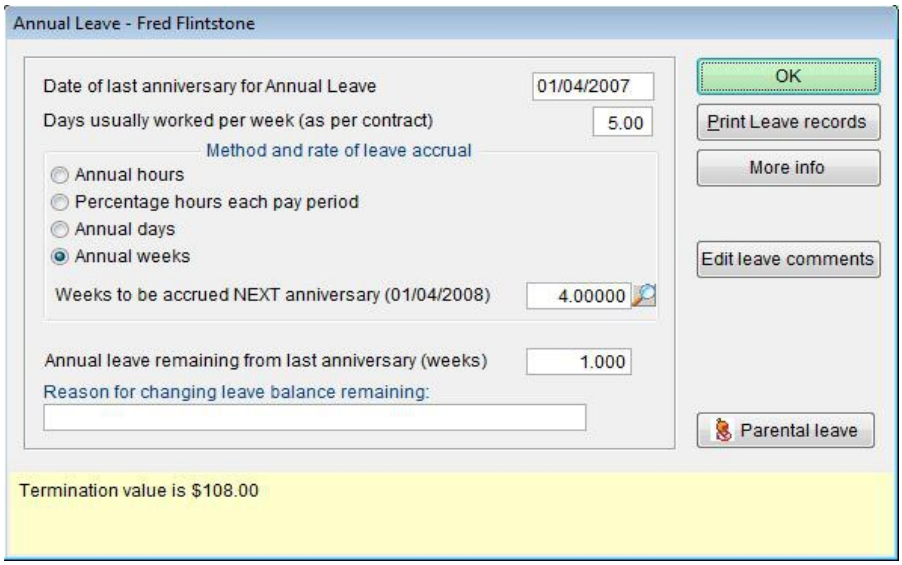
Annual Holiday Leave

Annual and Other Leave is determined by the provisions of the **Holidays Act** and its amendments.

The Holidays Act is quite clear....

- *Annual Leave* should be set to 4 annual weeks with first entitlement after 12 months service. **SmoothPay** accrues the Employee's entitlement automatically.
- Each week of paid leave is *valued at the time it is taken*. **SmoothPay** does this by examining the Employee's earnings over the last 52 weeks, as well as a more recent sample period (4 weeks usually) as being representative of their current contract. The best average from these periods is used as the value for each week of paid leave, and automatically takes into account any extra Allowances, Overtime etc. This ensures that when the Employee takes leave, they receive the best applicable week's earnings for each week or part week taken.
- There is at least one exception to this rule, and that is for CASUAL Employees, who have their leave paid as a percentage with every pay. This can be either automatically calculated as a separate amount appearing on the Payslip, or as part of an inclusive rate of pay in which case the $value of the Annual leave component is shown on the Payslip.

Annual Leave Setup Screen



The *Holiday Setup* screen holds the Employee's leave balance remaining from their last anniversary (or calculated to date for percentage each pay accruals), and assistants for leave balances as well as entitlement calculations.

You can access the Employee's *Annual Leave Setup* screen by:

- right-clicking on the Employee's name in the *Control Centre* and choosing *Holiday Setup*, or by
- selecting an Employee then clicking *Edit Employee...Holiday Setup*

The available options for annual leave accrual are:

- Annual hours
- Percentage each pay
- Annual days
- Annual weeks

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The recommended options are:

- Casual Employees – percentage each pay
- All other Employees – annual weeks

Changing the method of accrual causes an immediate recalculation of the current entitlement and balance available based on the new method. You may need to adjust this if entitlements are other than standard values.

Check the adjusted result is correct and alter if necessary.

What are the various annual leave accrual options and when should they be used?

Percentage each pay

This method can be used where the Employee is on *Parental leave*, or is *Casual* and needs to be paid out their leave as each pay is processed. For non-casual Employees, leave will accrue every pay period, to be paid out at some future date.

Typically, 8% will be used.

This method should only be used for *Casual* Employees, or Employees on *Parental Leave*.

If you prefer to pay your Casual Employees an *inclusive pay rate* (includes provision for holiday pay), you can indicate this preference in *Company Setup...Holidays Act...Casual Emplyees paid inclusive rate* and set the Employee's accrual percentage to zero. Payslips will indicate what proportion of the Employee's earnings are Holiday pay based on current legislative requirements.

Annual Hours

This method is not suitable for Casual Employees or Employees who work irregular hours, and is generally not compliant with the Holidays Act.

This method can be used for Employees who work a regular, fixed number of hours per week.

Typically, the annual entitlement would be 4 weeks of the Employee's normal weekly hours.

Annual Days

This method is not suitable for Casual Employees or Employees who work irregular days (different days each week), and is generally not compliant with the Holidays Act.

This method can be used for Employees who work a regular, fixed number of days per week.

Typically, the annual entitlement would be 4 weeks of the Employee's normal weekly rostered days.

The number of days worked per week can be established in *Edit Employee...More*, so that **SmoothPay** can correctly apply the rules of the Holidays Act to the Employee's earnings. For example, this allows an Employee to be established as working a 6 day week, and each day of Annual Leave will therefore be valued at 1/6th of his best average or current week's earnings.

Annual Weeks

This method is suitable for all but Casual Employees, and is the recommended method of accrual as it exactly matches the requirements of the Holidays Act.

Again, the Employee's number of days worked per week can be utilised effectively so that instead of having to enter a fraction of a week you can use the *Annual Leave Assistant* during *Time Input* to specify a number of days (or part days) and the calculation of the proportion of the week wil be done for you.

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Establishing Opening Leave Balances

If you are new to **SmoothPay**, and haven't yet done so, you should fol ow the *Getting Started* procedures printed when you installed **SmoothPay** and available also from *Reports..Miscellaneous..Getting Started Guides*.

Basically, you need to make sure that opening financial totals have been captured so that the Employee's year-to-date totals and totals since anniversary are available for use when producing Earnings Certificates, ACC Premiums, RDP Calculations, and Annual Leave calculations, especially if the Employee leaves before their next anniversary. This process is very easy, and can be accessed any time from the *Employee...Opening $ (Totals)* screen.

If bringing on Employee records into **SmoothPay**, choose the method of accrual used by your previous leave recording system (generally annual accrual in days, hours, or weeks, less any leave used since) and simply enter the balance remaining.

If correcting an Employee's leave balance, simply change the balance available in the Employee's *Holiday Setup* screen. We suggest you also enter an explanation of the change so that **SmoothPay's** Leave Records have a complete history of any changes.

But I want to accrue holiday leave in hours or days...

We understand that methods used in the past may be deeply embedded in your organisation's culture, and whilst we provide hours and days as accrual methods, it must be made clear that using methods not prescribed by the Act are probably incorrect. In many cases, a percentage or annual hours or days may seem pretty close to the provisions of the Act, but they wil never be exact, especially so in cases where contracts change and earnings fluctuate.

For example:

- an Employee has worked part-time at 20 hours per week for 12 months, has not yet taken any Leave, then their Contract changes to full-time at 40 hours per week.
- Their correct leave entitlement is 4 weeks payable at their new contract rate (equivalent to 160 hours) Had their leave accrual method been set to percentage each pay (or 60 hours etc) when they started, then their accrual at the date their contract changed would reflect the hours they worked, but would not reflect the provisions of their new Contract, and would be half their real entitlement.
- ***The rule is***: use weeks for Annual Leave, unless the Employee is Casual.

Anything outside the requirements of the Holidays Act is an issue which can only be decided by a Labour Inspector or court.

Any site using different methods of accrual (such as hours, days or percentages for annual leave, and hours or percentages for other leave types) may be operating unlawfully (outside the provisions of the Holidays Act).

Rateable Deductions for Employees on Parental Leave

There is however one notable exception, and that is when an Employee takes *Parental Leave*.

In this case, the Employee's Annual Leave accrual method should be changed to *Percentage each pay*, and remain so until the anniversary AFTER their return to work. To assist, set up a reminder (*Employee...Reminders*) so you don't forget to change it back, and tick the *Edit Employee...Holiday setup* option indicating they are on *Parental Leave*.

This provides an easy means of generating a pretty accurate representation of their actual entitlement by excluding the non-worked period from normal annual leave accrual.

Please refer to the *Parental Leave Factsheet* available on our website for more detailed information.

Paying Out Annual Holiday Pay (Pay $Value)

The Employee should complete a *Leave Application Form*, we have provided one on our *website...Forms...Leave Application Form* for your use.

During *Pay Input*, enter the *Time Type* as *Holiday* in the Employee's *Time Input* screen.

The *Holiday Pay Rate Assistant* provides a *$ value of current annual leave liability* which is determined from the Employee's Pay history so an Emoployee can be paid what leave they are entitled to at any point in time.

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SmoothPay provides a handy option in the Holiday Pay assistant to " *Pay out all leave*" which pays everything remaining from last anniversary, plus an al owance for time accrued since anniversary. The result of paying out leave "calculated to date" is that the employee's accrued leave balance wil end up negative (paid in advance), but calculated to date will result in zero. You should always use your discretion when using this option (refer comments below).

Refer also to the chapter below related to paying annual leave over company closedown period.

Comments

The Employer cannot pay out Annual Leave and have the employee continue working. This is "leave purchasing or trading" and is definitely illegal (however, what the Employee does on their holiday is their business, even if they work I guess, but that's pretty tenuous as an excuse for breaking the law).

Cashing Up one weeks annual leave is now provided for and there are definitive rules around this option – more detailed information is available on our *website... Documentation and Manuals...Cashing Up Annual Leave*.

Accruing leave by "$value" has never been provided for by the old or new Holidays Act - it is not a legitimate method of accrual. The Act expressly provides for the method of determining a week's annual leave value, and that value may vary depending on the Employee's work habits and current Contract.

Sick Leave

Sick leave is determined by the provisions of the **Holidays Act** and it's amendments.

The Holidays Act is quite clear....

- Sick Leave should be set to 5 annual days, with first entitlement available after 6 months service. You may specify a maximum unused leave accrual of 20 days.
- Sick leave does not normally apply to Casual Employees.

Paying out Sick Leave

Enter a Time Type as *Sick* in the Employee's *Time Input* screen.

All Sick Leave should be paid out as follows:

- If you know EXACTLY what the Employee would be paid for the day (ie they are rostered on for x hours) then that is what should be paid
- If you are not sure how long they would work that day (most cases), then the RDP rate should be used.

There are various opt-outs available for Other Leave, but all may result in non-compliance with the Act.

These are available in *Company Setup...Holidays Act*, and permit:

- Pre-selection of the Ordinary Rate of Pay.
- No automatic Assistant displayed at all unless User clicks on the *Assistant* button in *Pay Input* (provides for those who know EXACTLY what they want to pay their Employees.
- Various other opt-outs for Salaried/Non-Salaried Employees, for Annual and Other Leave types.

Special, Public and Alternative Leave

Special, Public and Alternative Leave provisions are determined by the **Holidays Act** and its amendments.

The Holidays Act is quite clear....

- Special and Alternative Leave recording methods should be set to Days
- Special and Alternative Leave Types do not normally apply to Casual Employees (eg they are entitled to 1.5 rates on Public Holidays, but don't get a Day in Lieu).

You can alter the AlternativeTtime in Lieu available from the Employee's *Time In Lieu Setup* screen, or from the *Pay Input* screen. Altering the total available causes a leave adjustment transaction to be generated and stored for future reference.

Alternative Days can also accrue from the entries made in Overtime/Penal Time for work on Public Holidays.
If a Public Holiday is worked, it MUST be captured as Overtime/Penal, NOT Public Holiday.

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Paying out Special, Public and Alternative Leave Types (excluding working on a Public Holiday)

During *Pay Input*, enter an applicable *Time Type* entry in the Employee's *Time Input* screen.

All Special, Public and Alternative Leave must be paid out as follows:

- If you know EXACTLY what the Employee would be paid for the day (ie they are rostered on for x hours) then that is what should be paid
- If you are not sure how long they would work that day (estimated to be most cases), then the *Relevant Daily Pay Rate* (RDP rate) should be used
- If the Employee works on a Public Holiday, the time actually worked should be recorded as Overtime/Penal, not as Public Holiday (see below).

There are various opt-outs available for Other Leave, but all may result in non-compliance with the Act.
These are available in *Company Setup...Holidays Act*, and permit:

- Pre-selection of the Ordinary Rate of Pay.
- No automatic *Assistant* displayed at all unless the User clicks on the *Assistant* button in *Pay Input* (provides for those who know EXACTLY what they want to pay their Employees)
- Various other opt-outs for Salaried/Non-Salaried Employees, for Annual and Other Leave Types.

Paying for Work done on a Public Holiday

Work on a Public Holiday should be recorded in **SmoothPay** as "Overtime/Penal", and for Non-Casual Employees the number of Public Holiday days the Employee worked on should be recorded. This will automatically accrue to the available Alternative leave the Employee has available.

Any person who works on a Public Holiday is entitled to receive time and a half for the period of time worked on that day. This includes Salaried, Casual and all other classes of Employee.

Note: any part days, even if it's only one minute into the Public Holiday counts as a whole day. These days are then automatically added to the Employee's Alternative Leave entitlement.

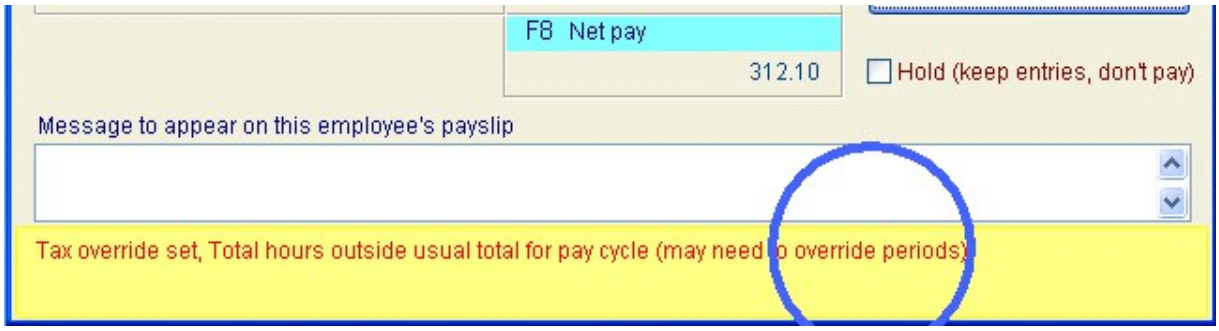
Closing down over Christmas/New Year, or paying multiple weeks of Annual Leave

This section provides an overview of:

- how to pay and schedule separate pays over the holiday period, or
- how to pay multiple weeks in a single consolidated pay.

If your business normally closes down over the Christmas/New Year period, its likely that you pay your Employees in advance for their last pay for the year as well as any Public Holidays and any Annual Leave they may be entitled to.

During Pay Input, it is especially important to rectify any warnings that may be displayed, such as the number of hours being outside the *normal pay period* (see below), any *overrides* that are in effect etc.



SmoothPay will automatically prompt you to change the number of pay periods to a more suitable value, however you can manually set the number of pay periods if you need to by using the *Pay Input...Tax, Salary, Child support…* options screen:

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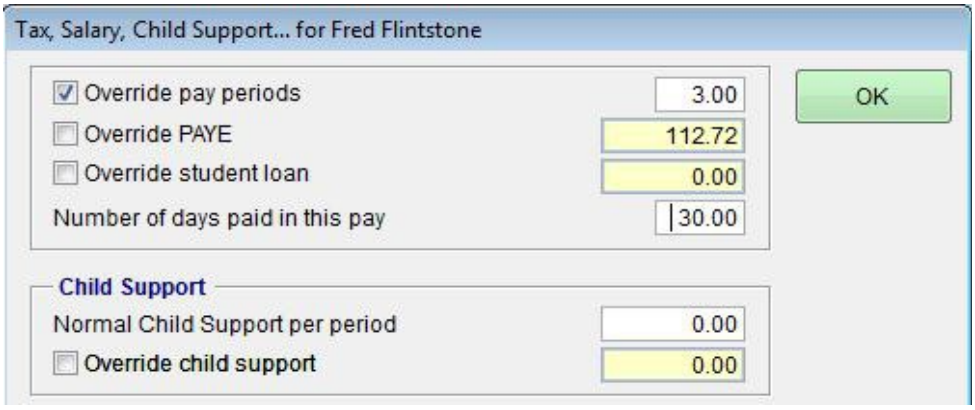

Multiple Pays and Scheduled Direct Credits

If you use an **electronic banking** package and pay all your Employees by Direct Credit, you can schedule payments at normal pay period intervals by processing a separate pay for each period as you would do under normal circumstances, and submit each *Direct Credit Batch* to the Bank for processing on the appropriate day. Please check that your Banking software supports this facility.

This smooths out your cash flow and can be beneficial for Employees that may need assistance to avoid the ravages and excesses that the holiday season often brings.

SmoothPay supports all major Banking systems for payments made by Direct Credit and Factsheets are available on our website for most of the supported Banks.

Note: Legislation provides for the payment of Annual Leave before it is taken.

Single Pay covering Multiple Pay Periods

If you choose to, you can input all payments for as many periods as necessary in a *single pay.* This is the most common method.

This involves entering any ordinary period earnings in the normal manner, as well as additional entries for all Statutory Days and any Annual Leave being taken.

In order for the tax and pay period calculations to operate correctly, you may need to *override the number of pay periods* that this pay represents.

This is done during *Pay Input...Tax, Salary, Child Support…*
Tick the "*Override number of Pay Periods*" box and enter the number of pay periods that the combined total of hours being paid represents (as in the following screen shot).

The *tax calculations* and *pay period based Allowances and Deductions* will be recalculated based on the number of pay periods entered.

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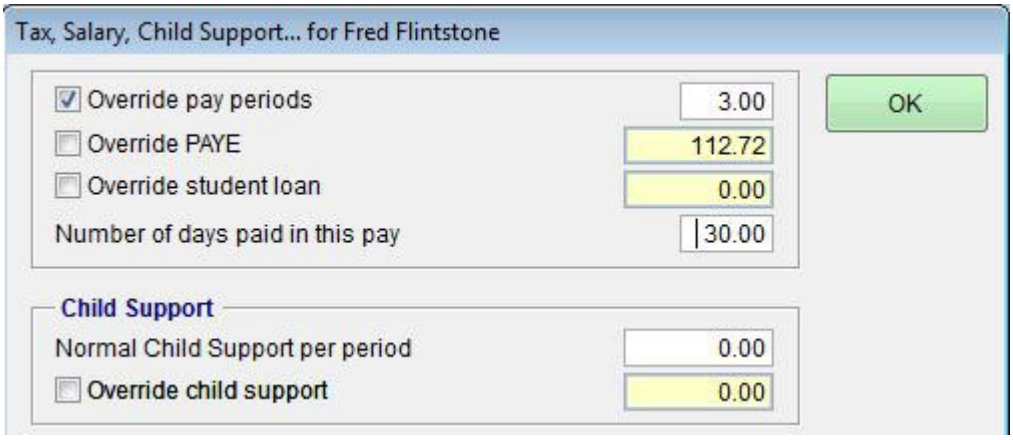
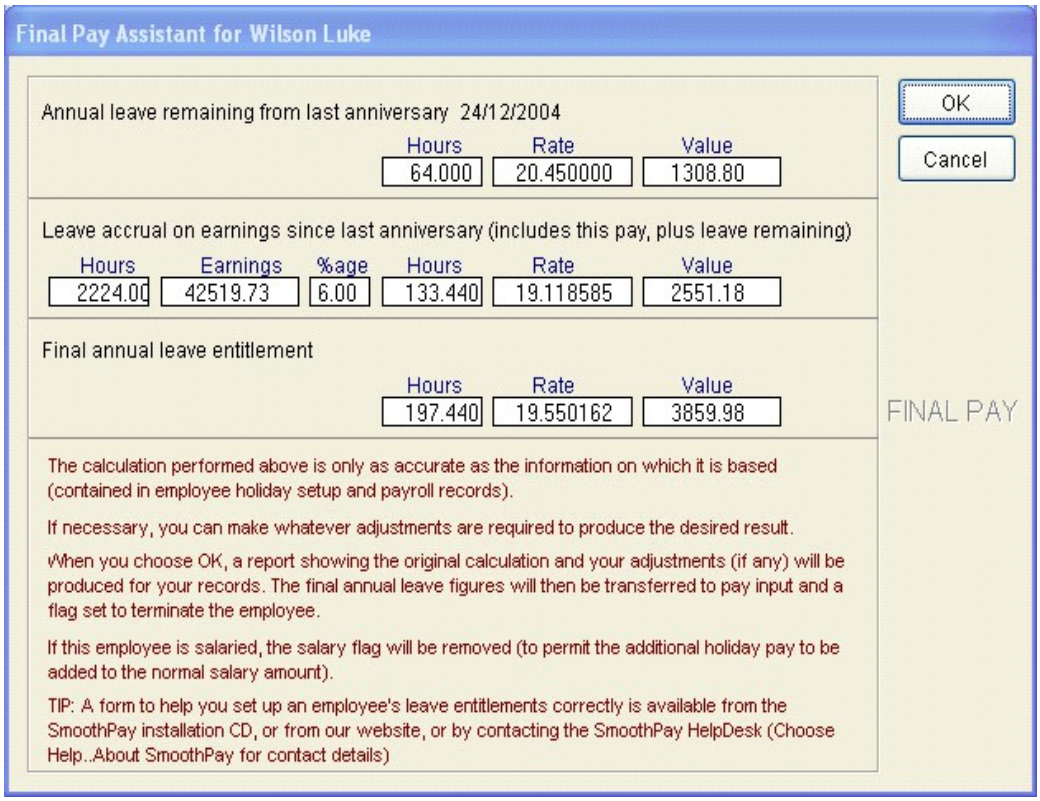


Final Pays

The *Final Pay Assistant,* available in *Pay Input,* automatically takes into account any unused Annual Leave to which the Employee is entitled, as at their last anniversary, adds that to the hours worked (if any) for the current pay period, then adds 8% to produce the final annual leave entitlement.



A calculation form is produced which shows **SmoothPay's** calculations, as well as your adjustments - if you need to, you can change any of the hours, rates or values on the *Final Pay Assistant* form.

This form should be retained with the Payroll Audit Trails.

The Employee will be automatically terminated at the end of the *Pay Process*.

Note: for Casual Employees, the *Final Pay Assistant* merely flags the Employee to be terminated at the end of the pay process.

There is also a *Final Pay Calculation form* available from our *website...Forms...Final Pay Calculation form.*

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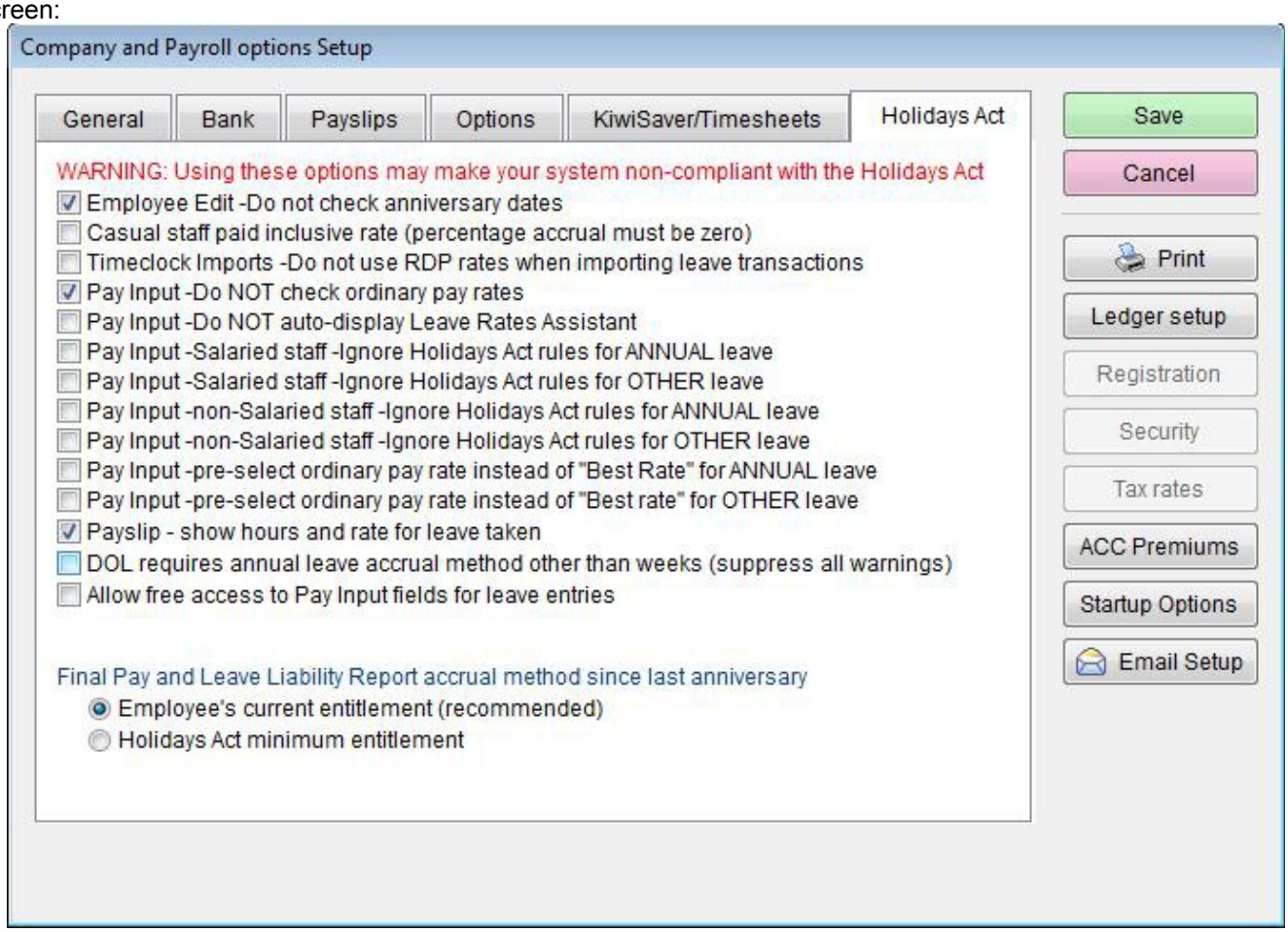
Overriding the Holidays Act (doing it your way)

In many instances, it is desirable to tailor how the provisions of the Holidays Act are implemented in your payroll system. Whist the default provisions provided in **SmoothPay** match the best interpretations of the Holidays Act, they don't necessarily suit your way of doing payroll.

So, **SmoothPay** provides a number of *override options* which have been developed to meet the most common requests and suggestions submitted by Users. These options are available in the *Company Setup...Holidays Act* screen:



These options are generally self-explanatory and hovering your mouse pointer over any item provides a more detailed description.

The most commonly used options would be:

- *Employee Edit – Do not check anniversary dates:* This avoids the warning you get when trying to alter anniversary dates to coincide with a Company anniversary etc - not necessary, nor recommended
- *Timeclock Imports – Do not use RDP (Relevant Daily Pay) rates..:* Many Users have previously had custom codes to prevent the use of RDP rates. This is now available as an option for any site to use. It is not recommended.
- *Pay Input – Salaried Employee options:* Whilst the best guide to the Holidays Act indicates that Salaried Employees may effectively be exempted from some of the provisions of the Holidays Act, the Act itself does NOT provide any specific exemption. It is not recommended, but is available should you interpret the Act in this manner.

We would recommend that you obtain a written opinion from the Labour Department as they oversee the provisions of the Holidays Act, though sometimes in a contradictory manner, before implementing any of the override options, essentially to cover you in the case of an Inspector or Employee taking issue with the manner in which your payroll is processed.

Any telephone discussion with the Labour Department or an Employers Association Advisor should be diarised along with the date, time and name of the person you spoke to. Call them a second time and you'll probably get a different opinion, often in contradiction of the Holidays Act. Select the advice that suits your situation. This is simply practical advice, but use it as you see fit.

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Changing an Employee's Contract

Often, an Employee wil transfer from a Part-Time or Fixed Term Contract, to a Full-Time or different Contract.

It may be that the Employee wishes to be paid out any Annual Leave at that point in time, or wish to continue accruing leave from their original start date.

In the former case, where the Employee wishes to have any leave paid out, you would usually:

- prepare a pay for any ordinary time and use the *Final Pay Assistant* to pay out any residual leave owed (equivalent to 8% of their time worked)
- After the pay has finished, reinstate the Employee and set new Annual Leave anniversary dates, leave accrual method (if necessary) and set the opening leave balance remaining to zero.
- **Note:** Sick Leave entitlements etc should probably continue from the original anniversary cycle, as employment is deemed continuous.
- This method of dealing with a change in contract is NOT RECOMMENDED however, as potentially the Employee is being deprived of significant value in their leave balance that has been accruing.

  For example, if the Employee worked for 11 months at 20 hours per week, they would receive only 8% of their ordinary earnings over the period as Holiday Pay. Yet after only one more month, they would be entitled to 4 weeks at their new, better, Contract rate. The question you must answer is, is it fair and equitable?

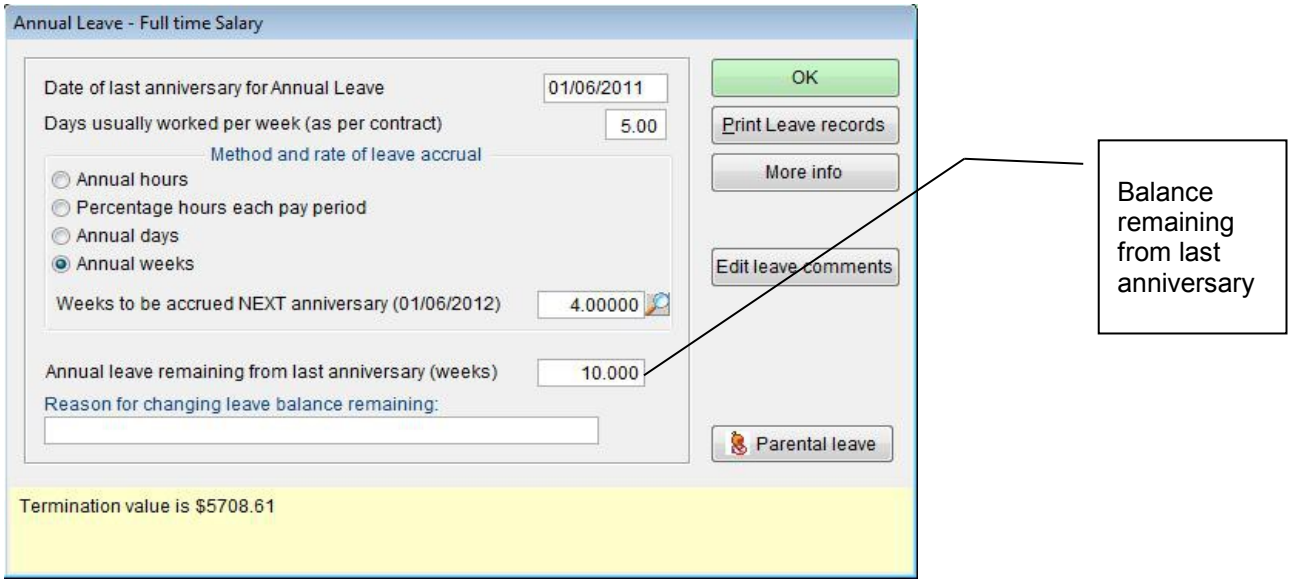
In the latter case, where the Employee's Contract continues, then you need do nothing, provided your Settings comply with those recommended.

Changing Leave Entitlements from Annual to Percentage basis (or vice versa)

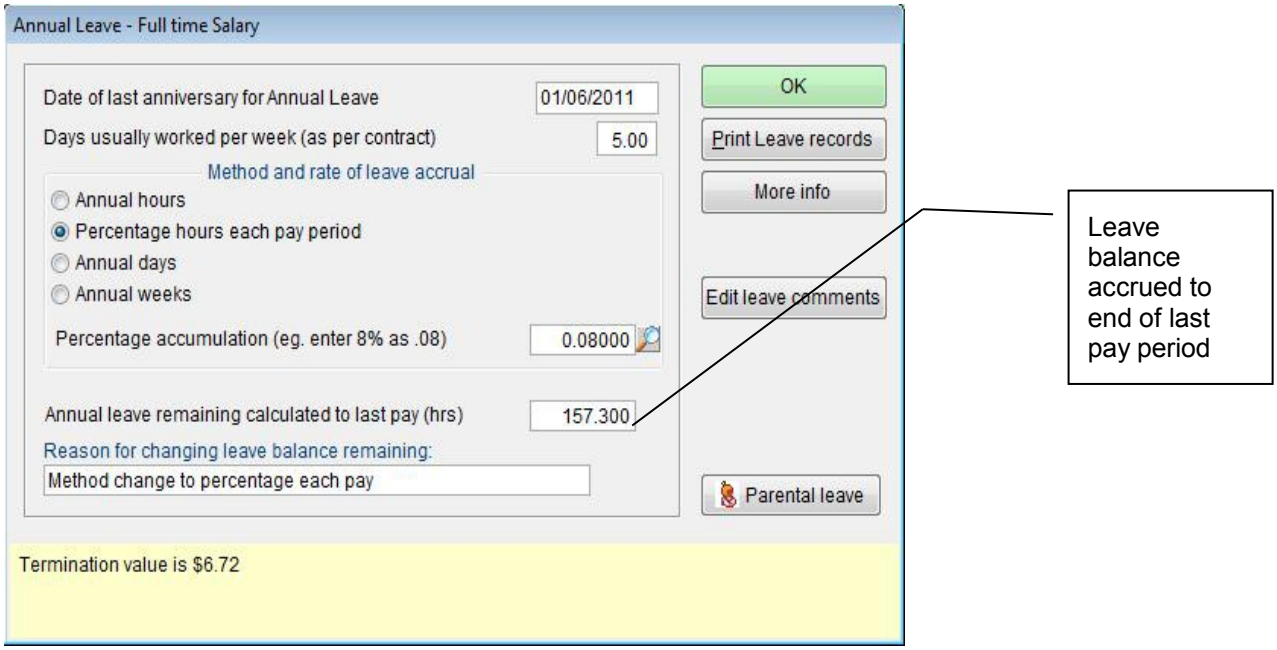
Leave accrued annually occurs on each 12 months service anniversary in accordance with the Holidays Act.

This means that the Leave remaining showing on the Employee's Leave Setup screen does not include the Employer's liability for leave since the Employee's last anniversary.

The Termination Value is shown in the yellow comments area.



Leave accrued on a percentage basis occurs each pay period, which means that the leave available figure includes the Employer's liability for leave right up to the last pay period.



Obviously, if you change the Employee's entitlement method, you wil need to adjust the leave remaining figure to suit the new accrual method. This is generally handled automatically by **SmoothPay** but it relies on the accuracy of your pay figures, especially since the Employee's anniversary, being correct.

The easiest way to set the new leave remaining figure is to run a *Leave Liability Report* before making any changes, then another one afterwards to make sure the current estimated $value of the leave has not changed significantly.

You can always use the *Leave Balance Calculator* from our *website...Documenttion and Manuals...Leave Balance Calculator* to help you gather the correct information.

A blank Annual Leave Calculation Form is also available from our *website...Documentation...Leave Setup*, and provides for collecting and calculating leave totals for a number of Employees per sheet.

Parental Leave

SmoothPay provides Parental Leave rules for the ongoing accrual and valuation of annual leave accrued and paid during the Parental Leave period.

Please refer to our comprehensive Parental Leave guide available on the website, or call the HelpDesk for a copy to be emailed to you.

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Leave Without Pay Recording

For **extended periods of absence** we advise using the Leave Without Pay options in Edit Employee..More..Parental/LWOP section so that SmoothPay can automatically shift the employee's anniversary date for whole weeks of absence (as permitted by the Holidays Act). The employee will be automatically returned to work next time they are paid.

If you wish to record **intermittent absences** (*a few hours to a few days, despite not paying the Employee any money, and for the zero hours they were at work*), it is suggested you follow this procedure:

- Make sure you have (or create) a *Special Leave Description* (*Payroll Codes...Special Leave*) for Leave Without Pay and ensure it is set to “self-balancing”.

  There is also a flag indicating this is a "Leave Without Pay" description which must also be ticked. This forces all such entries to have zero hours and value, so as not to dilute Annual Leave calculations.
- In *Pay Input*, create an entry for *Special Leave*, sub-type *Leave Without Pay*, and set the days as required. The Employee worked zero hours, and therefore gets no pay.
- If you wish, record how long the Employee is away for in the comment field.

Recommendation: for intermittent absence we recommend that you simply don't make any entries for time not at work (just as you only record hours worked for casual staff)

Leave Reports

SmoothPay provides a great range of leave reports that provide you not only with management information (Leave Liability etc), but a solid and consistent record of leave, settings, transactions and values.

These *Reports* can be selected from the Reports Menu:

Individual Employee leave records for each type of leave can also be produced from the *Edit Employee... Leave Setup* screens.

Related Topics and Resources

Pay clerking is not a simple job!

It requires knowledge of an enormous amount of legislation, generally accepted principles developed over decades, and it’s easy to be misled and end up with your leave processing and records in a real shambles.

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Forms, Publications and Websites

The best source of information is the Department of Labour.

You should always record the date, time and name of the person you speak to regarding any clarification or determination.

The Department of Labour website can assist greatly with online preparation of employment contracts, guides and information for employers: www.ers.dol.govt.nz

Some (not all) Employers Associations are worth their weight in gold, especially when it comes to employment procedures.

For definitive advice, you must refer to the Department of Labour, though sometimes an Employers advocate can provide practical and cost saving advice.

A form (*Leave Application Form*) is available to assist you to establish the correct opening leave balances and methods of entitlement, and is available from the Forms section of our web-site.

The *Holidays Act* (and amendments) is the legislation which determines how leave should be applied, and is available from Government bookstores and online.

CCH Ltd produce two superb reference guides, *New Zealand Employment Law Guide* and *Guide to Holidays and Leave*. These can be ordered by cal ing CCH on 0800 500 224, or visit their website www.cch.co.nz

The Final Word

SmoothPay is designed to be used according to New Zealand legislation (the Holidays Act and the Parental Leave and Employment Protection Act.

If you choose to depart from the provisions of these Acts by using commonplace (*but incorrect and illegal*) methods of accrual, or fail to adequately record days paid, leave taken, or work on *Public Holidays* in **SmoothPay's** *Pay Input*, then the settings and maintenance of balances are entirely up to the User and we will not provide helpdesk assistance (*other than advising to change to the compliant methods*).

Feel free to contact our **HelpDesk** if you have any questions.

*** END ***

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