

This document is a guide for employers using SmoothPay payroll in compliance with the Holidays Act

1. Annual leave accrues in weeks
The Act provides 2 dimensions for annual leave - time and money. The time dimension, 4 weeks, accrues at the end of each year of service. The value dimension accrues each pay at a rate of 8% on liable earnings until the employee's anniversary, at which time the 4 weeks accrues and takes on "weekly" value plus 8% (as it is now an entitlement).

2. Sick leave accrues in days
Sick leave accruals begin with 5 days after six months of service and then a further 5 days after each year of service from that date. Accrual may be limited to 20 days.

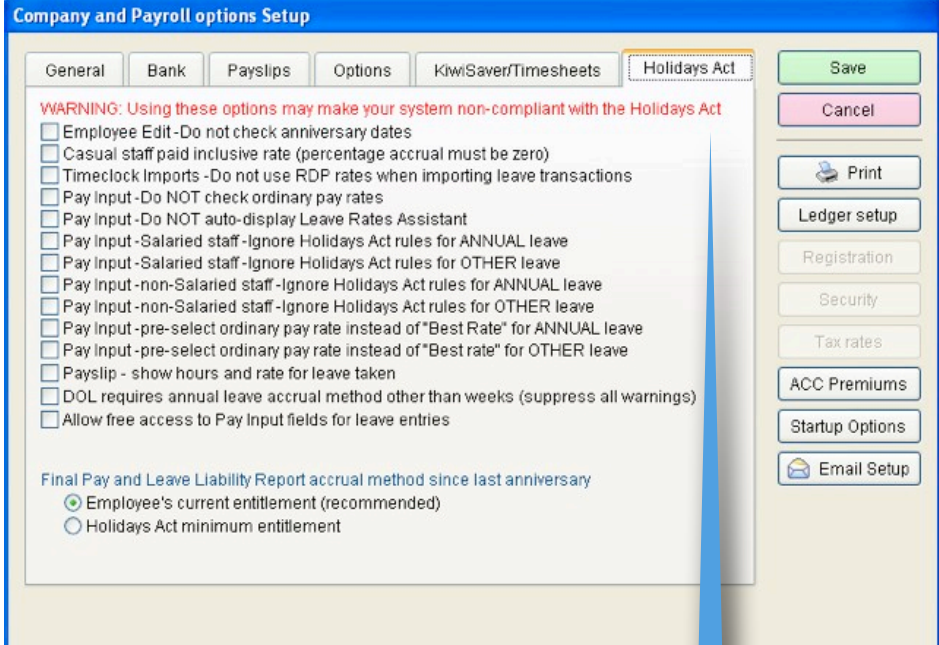
3. Work on a Public Holiday
Must be paid at penal (time+half) rates for the time worked. If the employee normally works that day then they are entitled to accrue a whole day of alternative leave.

4. Payment for leave taken
Annual leave must be paid out at best weekly value. Sick, Public, Alternative etc. are all subject to Relevant Daily Pay (RDP) rules, meaning that each day must be paid at best daily value.

For more information

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Company and Payroll options Setup

General Bank Payslips Options KiwiSaver/Timesheets **Holidays Act**

WARNING: Using these options may make your system non-compliant with the Holidays Act

- Employee Edit - Do not check anniversary dates
- Casual staff paid inclusive rate (percentage accrual must be zero)
- Timeclock Imports - Do not use RDP rates when importing leave transactions
- Pay Input - Do NOT check ordinary pay rates
- Pay Input - Do NOT auto-display Leave Rates Assistant
- Pay Input - Salaried staff - Ignore Holidays Act rules for ANNUAL leave
- Pay Input - Salaried staff - Ignore Holidays Act rules for OTHER leave
- Pay Input - non-Salaried staff - Ignore Holidays Act rules for ANNUAL leave
- Pay Input - non-Salaried staff - Ignore Holidays Act rules for OTHER leave
- Pay Input - pre-select ordinary pay rate instead of "Best Rate" for ANNUAL leave
- Pay Input - pre-select ordinary pay rate instead of "Best rate" for OTHER leave
- Payslip - show hours and rate for leave taken
- DOL requires annual leave accrual method other than weeks (suppress all warnings)
- Allow free access to Pay Input fields for leave entries

Final Pay and Leave Liability Report accrual method since last anniversary

- Employee's current entitlement (recommended)
- Holidays Act minimum entitlement

Buttons: Save, Cancel, Print, Ledger setup, Registration, Security, Tax rates, ACC Premiums, Startup Options, Email Setup

Company Setup allows you to control Holidays Act interpretations - however using these options is likely to mean you are not compliant with the Act



Annual Leave - Matt Gardner

Date of last anniversary for Annual Leave: 05/01/2008

Method and rate of leave accrual:

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

Weeks to be accrued NEXT anniversary (05/01/2009): 4.00000

Annual leave remaining from last anniversary (weeks): 2.234

Reason for changing leave balance remaining:

Termination value is \$5449.01

Buttons: OK, Print Leave records, More info, Edit leave comments

Represents the value of annual leave if the employee left right now

Unused leave remaining from employee's last anniversary

Permanent employees are entitled to 4 weeks annual leave - this is the only compliant method of annual leave accrual. SmoothPay provides non-compliant accrual methods, as sites moving from an old payroll are probably non-compliant and it makes balancing easier - and some sites insist on doing things the old way because it's familiar.

Sick Leave - Matt Gardner

Date of last sick leave anniversary: 05/07/2008

Method of entitlement: Annual days (recommended)

Annual entitlement (in days): 5.000000

Maximum sick leave accumulation (days): 20.000

Sick leave remaining (days): 4.000

Reason for changing leave balance remaining:

This section allows you to set how often leave is granted, and the units (hours, days or %) to be granted.
 Annual entitlements are normally 5 days, with a maximum accumulation of 20 days
 Sick leave normally accrues after 6 months service then annually.

Buttons: OK, Print Leave records, Edit leave comments

Sick Leave setup

Unused leave remaining from employee's last sick leave anniversary

Sick leave accruals begin with 5 days after six months of service and then a further 5 days after each year of service from that date. Accrual may be limited to 20 days.

Time Entry for Matt Gardner

Time type	Hours	Rate	Value
Ordinary	8.00	19.750000	158.00
Ordinary	8.00	19.750000	158.00
Ordinary	8.00	19.750000	158.00
Ordinary	8.00	19.750000	158.00
Overtime/Penal	4.50	19.750000	133.31

Buttons: Add entry, Delete entry, Timesheet, OK, Unlock

Choose INSERT button to add a new Time Input line.

Select the line you wish to edit then make your changes here

Time Input Edit

Time type: Overtime/Penal

Hours: 4.50, Overtime multiplier: 1.50, Date: 27/09/2008, Rate: 19.750000, Value: 133.31

Lieu days for work on Public Holiday: 1.00

Comment:

Account: 1234 Admin wages

Working on a Public Holiday

Work on a public holiday must be paid as Overtime/Penal at time+half rates

If the employee normally works on that day, then a whole alternative day must be accrued - it is not sufficient to accrue just the hours worked as time in lieu

Time Entry for Matt Gardner

Time type	Hours	Rate	Value
Ordinary	8.00	19.750000	158.00
Ordinary	8.00	19.750000	158.00
Ordinary	8.00	19.750000	158.00
Ordinary	8.00	19.750000	158.00
Public			178.58

Buttons: Add entry, Delete entry, Timesheet, OK

Choose INSERT button to add a new Time Input line.

Select the line then make your changes here <<<<<<<<

Unlock

Time Input Edit

Time type: Public Holiday Assistant

Stat days: 1.00 Date: 27/09/2008 Value: 178.58

Comment: Account: 1234 Admin wages

Public Holiday leave (time off work)

Use the Assistant to display a selection of appropriate daily values - it is normally displayed automatically when paying leave

Unlocking the entries so you can change them is likely to lead to under/over payments

- If the employee normally works the day of a Public Holiday but takes the day off, then payment must be recorded as Public Holiday and payment made at the best daily value, comparing:
- 1) what they would have earned had they been at work - *must include any potential overtime, productivity allowances etc.*
 - 2) Their average for that day over the last 52 weeks - *which means to comply with the Act all pay input entries need to be dated and number of days paid recorded.*
 - 3) An agreed daily value - *rare, but available*
 - 4) or failing any of the above then the employee's average daily earnings

Public Holiday Leave: Relevant Pay Rate Assistant - Matt Gardner (5 days/wk)

Enter Days: 1.00

I know EXACTLY what the employee would have earned \$ 133.31

or, select applicable pay rate \$Per Day

<input type="radio"/> 1. Ordinary DAILY pay rate	157.41
<input checked="" type="radio"/> 2. Average ordinary DAILY rate (last 4 weeks)	178.58
<input type="radio"/> 3. Agreed special rate of relevant DAILY pay	0.00
<input type="radio"/> 4. Rate entered	0.00
<input type="radio"/> Sunday (4)	504.03
<input type="radio"/> Monday (1)	187.63
<input type="radio"/> Tuesday (1)	158.00
<input type="radio"/> Wednesday (2)	180.22
<input type="radio"/> Thursday (4)	93.81
<input type="radio"/> Friday (3)	158.00
<input type="radio"/> Saturday (0)	0.00

Buttons: OK, Print, 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)

Relevant Daily Pay assistant - applies to Public, Sick leave etc

Note the contracted days per week - this can be set in the employee's contract settings, and affects average values 1 and 2

If you're capturing timesheet entries per day, then daily average values and the number of times each day was worked in the last 4 weeks will be displayed for reference

SmoothPay defaults to the highest daily value from items 1-4

In all cases you are the sole arbiter of the employee's best daily value

Annual Leave (Holiday)

Time Entry for Matt Gardner

Time type	Hours	Rate	Value
Ordinary	8.00	19.750000	158.00
Ordinary	8.00	19.750000	158.00
Ordinary	8.00	19.750000	158.00
Ordinary	8.00	19.750000	158.00
Holiday			949.31

Buttons: Add entry, Delete entry, Timesheet, OK

Choose INSERT button to add a new Time Input line.

Select the line you wish to edit then make your changes here <<<<<<<<

Time Input Edit

Time type: Holiday [Assistant]

Annual weeks: 1.00 Date: 27/09/2008 Value: 949.31

Comment: []

Account: 1234 Admin wages

Buttons: Unlock

Use the Assistant to display a selection of appropriate weekly values - it is normally displayed automatically when paying leave

Unlocking the entries so you can change them is likely to lead to under/over payments

Annual leave must be paid at the best weekly value, comparing:

- 1) Current contract value per week
- 2) Average weekly value over the last 52 weeks
- 3) An agreed weekly value - rare, but available
- 4) or failing any of the above then the employee's average weekly earnings over the last 4 weeks

Annual Leave Assistant

Note the contracted days per week - this can be set in the employee's contract settings, and affects proportional calculations

Holiday Pay Rate Assistant - Matt Gardner (works a 5 day week)

Pay out: 1.00 weeks (or 0.00 days, 0.00 hours) Pay \$value: \$5449.01

Select applicable pay rate	\$Per Week
<input type="radio"/> 1. Ordinary WEEKLY pay rate	770.65
<input type="radio"/> 2. Average ordinary WEEKLY rate (last 4 weeks)	892.92
<input type="radio"/> 3. Agreed special rate of WEEKLY pay	0.00
<input checked="" type="radio"/> 4. Average ordinary WEEKLY rate (last 52 weeks)	949.31

Buttons: OK, Print, More, Show calcs

The recommended option is already marked when you enter this screen
The Holidays Act provides for payment at the highest weekly rate displayed (opted out of 4-week average)

Use the Pay \$value button to pay out the estimated value of annual leave remaining - handy for annual closedown, and avoids over-exposure to advance leave payments that may not be recoverable should the employee not return

Days or hours can be entered here, and will be transformed into an appropriate proportion of a week, and thus the correct proportional value as part of a week.

A list of other things to be aware of:

<p>Accruing annual leave in days/hours seems much simpler - can I do it that way?</p>	<p>Yes, in fact the Act permits this as long as it is agreed between the parties that the result is equivalent to 4 weeks annual leave. However, you'll need to make an adjustment every anniversary and whenever the employee's contract changes to compensate for fluctuations in hours or days as a proportion of the employees current weekly contract value or best weekly value - which makes these methods difficult to administer. You will also need to ensure the value paid out is at least equivalent to the amount that would have been produced using compliant methods.</p>
<p>My employee wants to have their annual leave paid out, but will continue working</p>	<p>An employee may request up to one week of annual leave to be cashed-up per 12-month period. We have a factsheet on our website (and in Pay Input..Holiday Assistant..Cash Up).</p>
<p>How should I set up casual employees?</p>	<p>Casual employees receive their termination pay every pay day (8% of liable earnings). When you add the employee, set them as casual and their annual leave will automatically be set to 8% per pay, and their sick leave will be set to zero.</p>
<p>I want to pay my casual staff a pay rate that includes their annual leave entitlement</p>	<p>Company Setup..Holidays Act provides an option to pay inclusive rates to casual staff (this is an exception to the non-compliance advisory, and is quite common). Once that is set you can change the employee's Annual Leave percentage rate to zero. The calculated annual leave content will be printed on their payslip. You must ensure that the rate used is at least equivalent to the minimum hourly rate for the employee plus 8%</p>
<p>Can my casual staff accrue sick leave?</p>	<p>Yes they can - though it's unusual to do so and it might be worth considering their status - perhaps they should be transferred to a permanent position, even if it's only part-time. Simply set their accrual and maximum in their Sick Leave setup.</p>
<p>Should we insist on leave application forms?</p>	<p>Yes you should. It's much easier to establish that leave was actually applied for and approved (or not) if you have a written or electronic request - avoid the arguments that inevitably arise in the future. A suitable leave application form (template or copy it) is available on our website.</p>
<p>We have a company anniversary date - do we need to do anything special?</p>	<p>We recommend that you always use the employee's natural anniversary date instead of an artificial company anniversary date. It's easier to remember for the employee, you know when they reach certain long service leave entitlement (if you have any at all), and it really doesn't matter - when your company closes down, simply Pay \$value (or any number of weeks leave the employee has applied for and you have approved). It all comes out in the wash.</p>
<p>How do I pay an employee for working on a Public Holiday?</p>	<p>The employee must be paid at penal rates (time + half) for the time worked - even if they're on salary (and may end up earning less than if they'd stayed home). If the employee normally works that day, then they're also entitled to a whole alternative day of leave, to be taken at their discretion, or paid out after 12 months by agreement.</p> <p>Do NOT use Public Holiday as the time category for working on a Public Holiday - it's for time off only.</p>
<p>I have more questions...</p>	<p>Please, call the help desk - we're only too happy to help.</p> <p>Note that we can assist you to with how to use SmoothPay to the best advantage and efficiency. As to whether an employee should be paid for a day, or how much, you really have to use your judgement or clarify the situation with the Labour Department - they oversee interpretation of the Holidays Act.</p>