

MYOB Exo Employer Services

Managing Mandatory Closedowns

Last modified: 8 November 2017

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Introduction

In the event of a mandatory closedown when employees are made to take annual leave over this period, there are two different methods for paying out annual leave to employees.

Note: This article does not constitute legal advice, but is intended as guidance on this subject. For assistance on specific scenarios please seek further assistance.

Employees Entitled to Annual Holidays

Generally, this is most employees who have worked more than 12 months.

These employees would already be entitled to four weeks annual leave and may have outstanding entitlement owing from the previous year. In these cases, you would pay out the number of annual leave days the employee is taking over this closedown period through normal leave processing.

Note: If the employee has no outstanding entitlement and only accrued available then the employer and employee can agree to take leave in advance.

Employees Not Yet Entitled to Annual Holidays

Generally, this is employees in their first 12 months of employment.

These employees are treated differently at the time of closedown—if an employee has not yet become entitled to annual holidays they **MUST** be paid 8% of their gross earnings since starting, less any leave paid in advance, or paid as pay-as-you-go. You must then reset their anniversary date to one year ahead (from the date of the start of the closedown). In addition, the employer may also agree to them taking annual holidays in advance, e.g. if their 8% is not enough to cover the period.

This is pursuant to section 34 of the Holidays Act, and recently clarified by MBIE in their guidance documentation [MBIE Holidays Act 2003 Guidance](#).

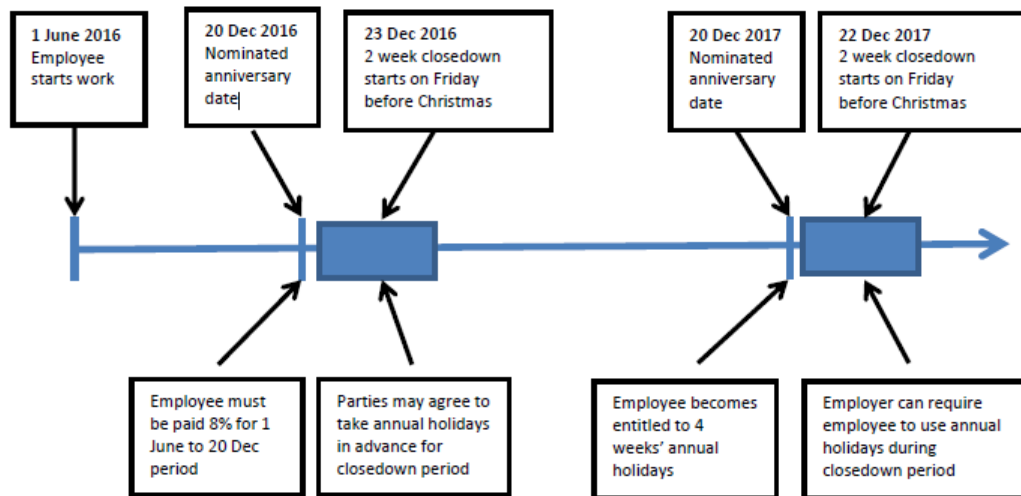
Note: Some employees may have been employed for more than 12 months but not yet be entitled to annual holidays and so fall into this group. For example, if they have taken a period of leave without pay in excess of one week that has pushed out their anniversary date for annual holidays, or if they have been receiving payment for annual holidays on a pay-as-you-go basis.

Employees **MUST** be paid all their 8% gross earnings up to the closedown **regardless** of a company date if they have not become entitled to annual holidays yet.

We recommend not having the company anniversary date turned on in Exo Payroll if you are dealing with mandatory closedowns.

Moving an Employee's Holiday Anniversary Date

If the employee is being paid the 8%, their anniversary date for annual leave will also now need to be reset to start from the closedown period or a date close to this. A closedown can be slightly different each year, so to ensure that the employee has completed 12 months continuous employment before the next closedown, the employer can nominate a date close to the start of the closedown period e.g. 15th or 20th December. Dates such as 30th November and 1st December are unacceptable dates if the closedown falls just before Christmas. This process is done just once and in the following years the employee will become entitled to 4 weeks annual leave on this date.



More information on Mandatory Closedowns requirement is available [on the Employment New Zealand website](#).

Paying out 8% Closedown Holiday Pay in Exo Payroll

In your Current Pay (or One-Off Pay), first pay any weekly wages/salary owing to the employee, then go to the Holiday section of the Leave Management window. The employee must not have outstanding leave and should only show units accrued (current year). In the bottom right-hand corner, click the **Closedown % only Holiday Pay Wizard** button.

Note: If the new employee's annual leave entitlement has already rolled over due to a company anniversary date falling before processing the closedown payments, see "New Employees whose Entitlement has Rolled" on page 8 to correct this before performing the steps below.

The employee should only have accrued leave for 8% holiday pay-out

This section should be used for employees who have not become entitled to annual holidays and **must** only be paid 8% holiday pay in mandatory closedown

You will be asked to confirm that you want to **Pay Closedown % only Holiday Pay**—click **Yes** to proceed to the Wizard to calculate the % payment.

Field	Value
Employee	8 Hillary, Matthew Martin
Current Year Gross	2401.20
Current Pay Gross	360.00
Total Current Gross	2761.20
Percentage Amount	220.90
Amount Paid in Advance	0.00
Outstanding This Year	220.90
This Year Accrued to	07/08/2017
Current Year Percentage Rate	8.00

Step 2: Current Year

In this step the total current year's gross earnings are added to the current pay gross to work out 8% Holiday Pay less any leave value that has been paid in advance, or paid as pay-as-you-go, the total amount outstanding will be what the employee is owed for holiday pay

Field	Value
Employee	8 Hillary, Matthew Martin
Current Year Gross	2401.20
Current Pay Gross	360.00
Total Current Gross	2761.20
Percentage Amount	220.90
Amount Paid in Advance	0.00
Outstanding This Year	220.90
This Year Accrued to	07/08/2017
Current Year Percentage Rate	8.00

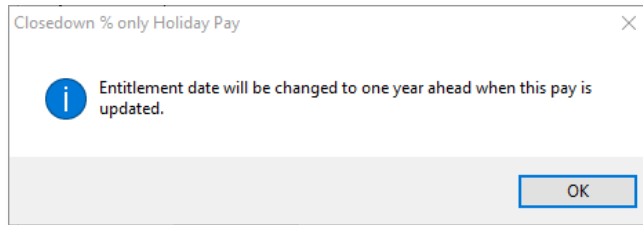
Step 3: Summary and Report

The final step will confirm the total value of Holiday Pay to be paid to this employee.

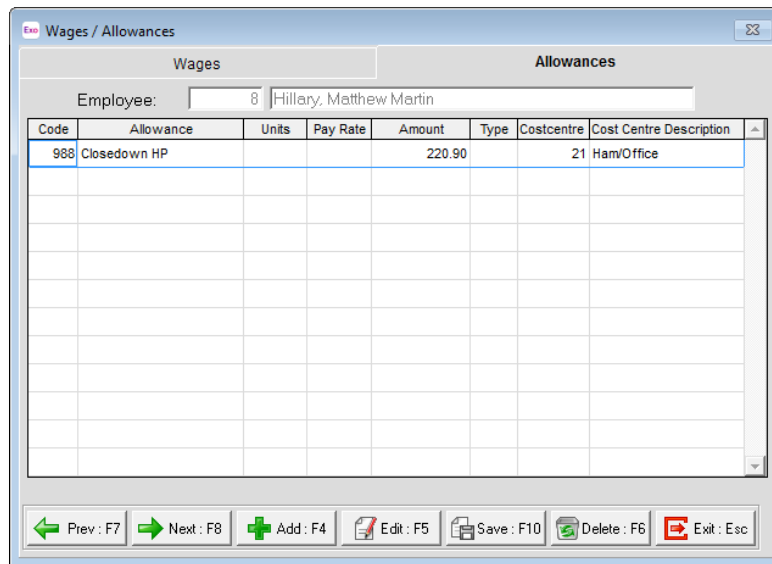
Click on [Finish F10] a report will automatically be created in a PDF format with date and time stamped reference created in your payrollv directory. This report should be filed against the employee's records, and given to them at time of payment for details of Holiday Pay calculations.

Once you have completed this process and the report is finalized, you will be presented with the following pop up instruction to change the entitlement date to one year ahead once the pay is updated – click **OK** to complete this.

Note: If you want to have a nominated closedown date i.e. 20th December, you can manually update this for the employee once the pay is completed.



The payment made is taxed as an Extra Pay lump sum payment through a system-generated Allowance called **Closedown HP**:



Updating your Divisor

When updating your days/hours paid for any pays covering your closedown period, these must relate to the appropriate periods.

For Days Paid for Holiday Pay, the weekly normal units are applied here for each period.

For ADP (Relevant Daily Pay), the actual period units would be applied here for each pay period.

Example:

John started in June 2017. His company closes for 2 weeks from COB on the 22nd December. Pay period is Monday – Sunday and John works Monday to Friday. He is taking annual holidays in advance on 21st and 22nd December. He has not taken annual holidays in advance previously.

Week 1 = Pay Period Ending Sunday 24th December. 3 days wages + 2 days annual holidays in advance

Days Paid for Holiday Pay: 5

Days Paid for ADP: 5.

One Off Pay = 8% Holiday Pay (minus payment for 2 days annual holidays taken in advance).

Days Paid for Holiday Pay: 0 (captured in previous pay)

Days paid for ADP: 6 - This covers 6 days Annual Leave over the closedown period (*this may be less if the 8% payment is only equivalent to a portion of the days taken off*)

Any accrued annual holidays balance is zeroed and anniversary for annual holidays is reset to 23 December.

Week 2 = Pay Period Ending 31st December. 2 days Public Holidays only.

Days Paid for Holiday Pay: 5

Days Paid for RDP/ADP: 2 days public holiday = 2

Week 3 = Pay Period Ending 7th Jan. 2 days Public Holiday only

Days Paid for Holiday Pay: 5

Days Paid for RDP/ADP: 2 days public holiday = 2

New Employees whose Entitlement has Rolled

For Mandatory Closedowns it's very important that any employees who have not yet become entitled to annual leave have their anniversary date rolled along with their 8% payment. Their anniversary date should be rolled over to a date that is close to the period of closedown commencing.

If you have a Company Anniversary Date in place in Exo Payroll for a period before closedown we recommend that you remove this from your system for the purposes of correctly completing the 8% payment.

To remove the company anniversary date:

1. Go to the **Utilities Menu > Setup Exo Payroll > Leave Management**.
2. Untick the option **Use company anniversary date as holiday entitlement date**— this will not adjust or change any existing employee's anniversary dates.
3. Click **Save** to complete this option being turned off.

The screenshot shows the 'Leave Management Setup' window in Exo. The 'Holiday Pay Options' section is highlighted with a red box. It contains the following options:

- Use company anniversary date as holiday entitlement date (01/12/2017)
(Company holiday entitlement period: 01/12/2016 - 30/11/2017)
- Allow Permanent Part-time / Pro-Rata Holiday Pay
- Allow percentage based Holiday Pay method
- Let Permanent Part-time / Pro-Rata employees accrue more than their annual entitlement
- Use Holiday Pay Groups
- Pay Period Valuation Method
- Enable Closedown % only Holiday Pay
- Pay Holiday Pay in: Days Hours Mixed

Below this, there are sections for 'Sick Pay / Special Leave Options', 'Alternative Leave', 'Unpaid Leave', 'Public Holiday', and 'Bereavement Leave'. At the bottom, there are buttons for 'Shift Leave Setup', 'Other Leave Setup', 'Save : F10', and 'Exit : Esc'.

Go to that employee's Holiday Pay tab in their Employee Maintenance screen – their Holiday Anniversary Date will have already rolled over and will now state the company anniversary date for the following year.

Employee: 8 | Hillary, Matthew Martin

Holiday Pay

Annual Entitlement %: 8.00 Pay Casual Holiday Pay Each Pay
 Annual Entitlement Days: 20.00 Permanent Part-time / Pro-Rata
 Holiday Anniversary Date: 01/12/2018 Percentage Entitlement Only
 (Entitlement Period: 01/12/2017 - 30/11/2018) Hours per standard day: 8.00

This Year Entitlement Changes

Entitlement Year	Paid	Accrued	Outstanding	Advanced	Balance
Days:	0.00	0	2.74	0.00	2.74
Amount:	\$0.00	\$0	\$0.00	\$0.00	\$0.00

To fix this and roll the employee's entitlement back to accruing 8% of gross earnings for the current year since commencement date, you will need to update the Holiday Anniversary Date to the employee's start date for the following year i.e. if the employee started on the 19th June in the current year then change the entitlement date to 19th June for the following year.

Once completed it's important to remove any outstanding entitlement that had rolled over because this is no longer relevant to the employee's balance. You can now complete the closedown 8% pay-out using the Closedown % only Holiday Pay wizard—see page 3.

Employee: 8 | Hillary, Matthew Martin

Holiday Pay

Annual Entitlement %: 8.00 Pay Casual Holiday Pay Each Pay
 Annual Entitlement Days: 20.00 Permanent Part-time / Pro-Rata
 Holiday Anniversary Date: 19/06/2018 Percentage Entitlement Only
 (Entitlement Period: 19/06/2017 - 18/06/2018) Hours per standard day: 8.00

This Year Entitlement Changes

Entitlement Year	Paid	Accrued	Outstanding	Advanced	Balance
Days:	20.00	2.68	2.74	0.00	5.42
Amount:	\$2401.20	\$0	\$0.00	\$0	\$0.00

Last 12 Months

Gross Pay: \$2401.20 Days Paid: 20.00

This Year Accrued to: 07/08/2017 Ordinary Daily Rate: Standard Pay
 Holiday Pay Cost Centre: 21

Prev: F7 Next: F8 Find: F9 Save: F10 Delete: F6 Exit: Esc

If you have any problems with understanding this process, and require assistance please contact our support desk if you have a support plan on 0800 696 239 or if you require training or consulting then please email our client services team on enterprise.services@myob.com to book a consultant.

Note: Our Support and Services teams can provide assistance in applying your scenario to the Exo Payroll system; however, we cannot provide legislative advice. If you are unsure of your obligations or how specific employees should be managed, please seek legal advice or contact MBIE helpline for assistance.