Release Note: Additional Holiday Pay

Payroll
Owner: The Product Management Team
Classification: **INTERNAL – Customers & Fourth Personnel**

What's Changing

The Payroll module functionality has been amended to allow the calculation of "Additional Holiday Pay". There is no immediate impact on the calculation of holiday pay on release of this work. This function must be configured before these changes have any effect on the pay that employees will receive.

Proposed Release Date: 21st January 2016

Reason for the Change

There have been a number of court judgements made over the last year in relation to the calculation of holiday pay. The judgements specifically refer to those employees whose pay fluctuates between pay periods due to additional payments such as overtime or commission.

There continues to be cases around the calculation of holiday bought through the courts and these may or may not further impact an Employer's responsibility in this respect.

The Advisory, Conciliation and Arbitration Service (ACAS) provide advice on the subject of holiday pay and these rulings that you may find useful: ACAS Advice on Holiday Pay*****.

Note: The information held on this website is the property of ACAS and is constantly being updated; please contact them for any questions about the content.

Customers Affected

All customers that use the HR and Payroll Module.

Release Notes
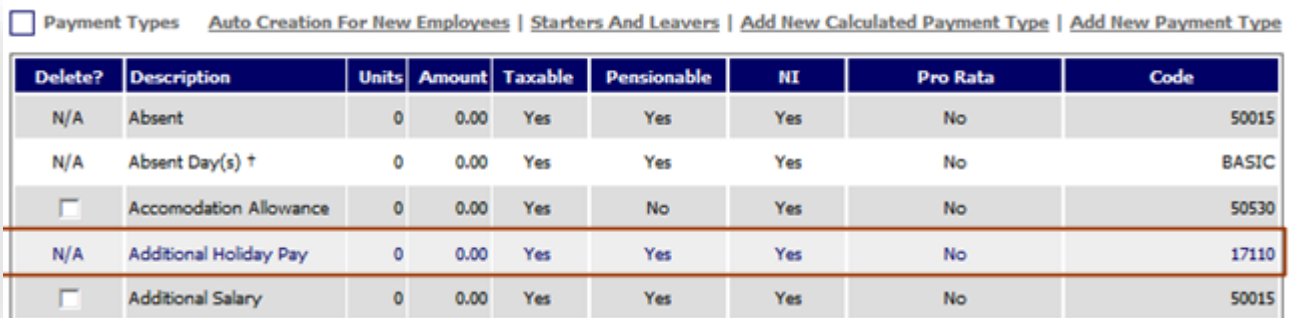
What is "Additional Holiday Pay"?

"Additional Holiday Pay" is the amount due to an employee when they take holiday and have received payments where values received vary each pay period or may not always be due, such as commission payments. The cases that have gone through the courts specify some payments (see Reason for Change section) but you review this and seek legal advice if necessary to determine which payments your organisation makes that may be applicable for Additional Holiday Pay.

The Additional Holiday Pay is calculated only on the first 20 days of the statutory leave entitlement and where due is paid on top of the employees' basic holiday pay.

Impact on Payment Types

1. New Payment Type "Additional Holiday Pay"

Path: **Payroll > Administration > Payment Types**

| Payment Types | Auto Creation For New Employees \| Starters And Leavers \| Add New Calculated Payment Type \| Add New Payment Type |

Delete?	Description	Units	Amount	Taxable	Pensionable	NI	Pro Rata	Code
N/A	Absent	0	0.00	Yes	Yes	Yes	No	50015
N/A	Absent Day(s) †	0	0.00	Yes	Yes	Yes	No	BASIC
☐	Accomodation Allowance	0	0.00	Yes	No	Yes	No	50530
N/A	Additional Holiday Pay	0	0.00	Yes	Yes	Yes	No	17110
☐	Additional Salary	0	0.00	Yes	Yes	Yes	No	50015

Fig 1 – Additional Holiday Payment Type

- A new system default Payment Type called "Additional Holiday Pay" has been added to the Payment Type screen. Once your system configuration is complete, any payments due to employees for additional holiday pay will be paid through this Payment Type and this will be displayed on employees' payslips.
- The Additional Holiday Pay payment type is by default:

    o NI-able
    o Taxable
    o Pensionable
    o Qualifying Earnings For Pension

- As this is a system default payment type, you cannot delete Additional Holiday Pay.

2. How to Configure a to be Included in the Calculation for Additional Holiday Pay

Path: **Payroll > Administration > Payment Types > {payment type}**

Fig 2 – Include Holiday Pay Setting

- A new 'Include in Holiday Pay' settings allows you to choose which pay types should be included in the calculation of average pay for Additional Holiday Pay.
- For example, if you wish to include overtime payments in the Additional Holiday Pay calculation you will tick the "Include in Holiday Pay" flag against the Overtime Payment Type.

There are some existing settings in the system that may determine that certain Payment Types are already included when calculating the basic holiday pay payments you already make. In order to avoid duplication, you should check the following settings before updating the "include in Holiday Pay" flag.

Path: **HR > Administration > Global Settings > Holiday Calculations > "Calculation of holiday pay based on gross pay during period" Setting**

Fig 3 – Calculation Setting

- If you have this setting set to "Yes" Tronc payments are already included in the calculation for basic holiday pay. Therefore, if you flag your Tronc payment type to "include in holiday pay" the system will warn you with message:
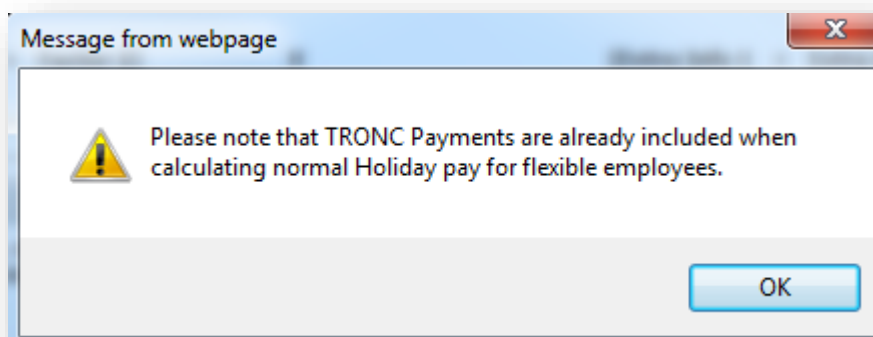

Fig 4 – Tronc Warning

How & When is the Additional Holiday Pay Calculated

The Additional Holiday Pay is calculated only on the first 20 days of the statutory leave entitlement (within the holiday year) and is paid as the name suggests, in addition to the basic holiday pay an employee already receives for each holiday taken. It is calculated for all authorised holidays.

The Additional Holiday Pay for holidays booked in advance is calculated within the Pay period in which the holiday days are taken.

The calculation method is broken into three parts:

1. Identifying Relevant Period
2. Calculation of Average Weekly on Additional Holiday Pay elements (AWAHP) within the Relevant Period
3. Calculation of Additional Holiday Pay

1. Identifying Relevant Period

This is usually the 12 week period in which employee was paid before the Start Date of the Pay Period in which the employee is absent on holiday.

The End of the relevant period is the last day before the start of the pay period in which the employee is absent on holiday. The Start of the relevant period is the first day of week one of the 12 week period preceding the end date.

For example:

An employee is paid monthly (calendar month pay periods)

- They take 1 day's holiday on July 15th
- The holiday falls in the pay period from 1-31st July
- The relevant period to calculate Average earnings for Additional Holiday Pay is: 7th April – 30th June (note actual dates may vary slightly in different years.

Exceptions:

- **Retrospective Holidays** - Where a holiday day is entered into the system and authorised retrospectively the relevant period used for the calculation is the 12 week period immediately preceding the pay period in which the holiday day fell.

For example:

An employee is paid monthly (calendar month pay periods)

- They take 1 day's holiday on June 26th but it wasn't entered into the system until July 1st, after the June pay period had been calculated and paid.
- The holiday fell in the pay period from 1-30th June
- The relevant period to calculate Average earnings for Additional Holiday Pay is: 8th March – 31st May (note actual dates may vary slightly in different years).

Holidays Paid in Advance - Where a holiday day is entered into the system, authorised and paid in advance manually by agreement, there will be no automated calculation for Advanced Holiday Pay.

Where 12 weeks of data for the relevant period isn't available in the system - the time period for relevant period will identified as per the previous examples using only data that is available.

For example:

An employee is paid monthly (calendar month pay periods)

- They take 1 day's holiday on July 15th
- The holiday falls in the pay period from 1-31st July
- The relevant period to calculate Average earnings for Additional Holiday Pay is: 7th April – 30th June (note actual dates may vary slightly in different years.
- The employee was a new starter on 1st June, therefore there is only 4 weeks of pay data.
- The calculation (see point 2 below) uses only the numbers of weeks available, in this case the sum of any earnings are divided by 4 instead of the standard 12.

2. Calculation of Average Weekly on Additional Holiday Pay elements (AWAHP) within the Relevant Period

AWAHP is the weekly average of the sum of all earnings for Payment types flagged as "include in holiday pay" and paid within the relevant period. The actual calculation varies depending on the pay frequency, as follows:

For a weekly payroll it is:
- divided by 12 (the number of weeks in the relevant period)

For a monthly payroll it is:
- divided by number of months in the relevant period, next
- multiplied by 12 (number of moths in the year), then
- divided by 52 (number of weeks in the year)

For fortnightly or 4 weekly payroll it is:
- divided by the number of whole weeks in the relevant period

Note: where an employee has not received any payment for all Payment types flagged as "include in holiday pay" within the relevant period the average value will be zero. In this case there will be no Additional Holiday Pay due to the employee.

3. Calculation of Additional Holiday Pay

The following table describes the calculation of Additional Holiday Pay for Full Time, Part Time and Flexible employment types:

Employment Type	Holiday Taken in Days	Holiday Taken in Hours	Notes
Full Time / Part Time	*AHP = Holidays Days Booked * (AWAHP / FTE Days)*	*AHP = Holidays Days Booked * (AWAHP / FTE Hours)*	Depending on data available FTE Days and FTE Hours are taken in this order of precedence: 1. Employee Level 2. Job Title / Location 3. Job Title If none present, it defaults to: - FTE Days = 5 - FTE Hours = Contracted Hours if present, otherwise: FTE Hours = 40
Flexible	*AHP = Holiday Days Booked * (AWAHP / Average Days)*	*N/A (holidays can be booked in Days, only)*	Average Days (existing system functionality) are calculated and stored on a daily basis by the overnight service. Historical Average is stored per weekly basis.

Impact on Payslips: New Payment Element 'Additional Holiday Pay'

Where an employee is paid Additional Holiday Pay, the system will include this on the Payslip within Payments section, as such:

If an employee is salaried as in this example; as they receive their normal salary whilst on holiday you will not see another entry for basic holiday pay on the payslip.
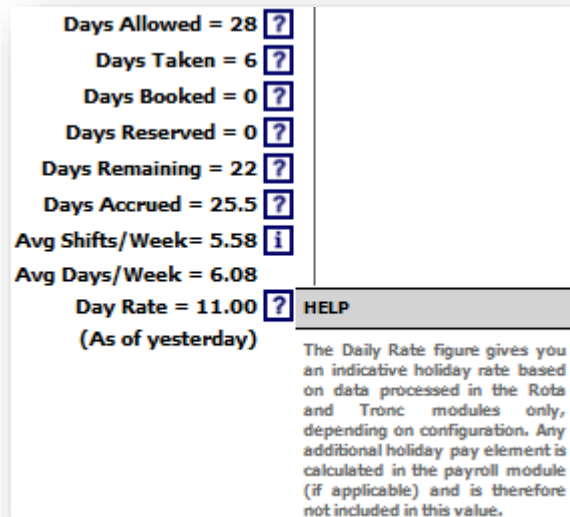
Sprint40-AdditionalHoliday						
Employee No	**Employee Name**			**Processing Date**	**NI Number**	
26082	WeeklyPartTime Salaried			03/07/2015		
Payment	**Units**	**Rate**	**Amount**	**Deductions**		**Amount**
Additional Holiday Pay ()	1	39.63	39.63	Tax		0.00
Annual Salary Weekly ()	1	288.46	288.46	NI		0.00
Overtime ()	1	100.00	100.00			

Employee Address	**This Period**		**Year To Date**	
Xdfhtbf Cfnj CGNJHY	Total Gross Pay	428.09	Total Gross Pay TD	4840.61
	Gross For Tax	139.63	Gross For Tax TD	1090.63
	Earnings For NI	139.63	Tax Paid TD	14.00
	Rounding BF		Earnings For NI TD	1090.63
	Rounding CF		NI TD	14.40
			Pension TD	0.00
			Holiday Pay TD	0.00

Tax Code	**Pay Basis**	**Payment Method**	**Pay Period**	**Net Pay**
1060L W1	Weekly - Additional Holiday Salaried	Cheque	13	428.09

Fig 5 – Payslip with Additional Holiday Pay Included

Employee Holidays Screen: Help Text changes

Path: **HR > Employees > Employee List > {employee} > Employee HR Info > Holidays**

Help text has been added to the "Day Rate" value for Flexible employees to provide clarity. The label has also been amended to reflect that the value is calculated "As of yesterday" and not "As of today" as it indicated previously, as this value is calculated overnight.

Fig 6 – Tooltip Update

Payment Type Export: New Column 'Include in Holiday Pay'

Path: **Payroll > Reports > Exports > Payment Types**

A new column has been added to the Payment Types export to indicate if the "Include in Holiday Pay" has been flagged against a Payment Type.

	C	D	E	F	G	H	I	J	K	L	
1	Paymentcode	Taxable	Pensionable	NIable	Qualifing Earnings	Benefit Type	Notional	Exclude From Minimum Wage	Include in Casual Average	**Included in Holiday Pay**	
2	SHIFT	TRUE	TRUE	TRUE	FALSE			FALSE	FALSE	FALSE	
3	Hours	TRUE	TRUE	TRUE	TRUE			FALSE	FALSE	FALSE	
4	HOL	TRUE	TRUE	TRUE	TRUE			FALSE	FALSE	FALSE	
5	ABS	TRUE	TRUE	TRUE	TRUE			FALSE	FALSE	FALSE	
6	SDP	TRUE	TRUE	TRUE	TRUE			FALSE	FALSE	FALSE	
7	HOL	TRUE	TRUE	TRUE	TRUE			FALSE	FALSE	FALSE	
8	SCCCT	TRUE	FALSE	TRUE	FALSE			FALSE	FALSE	FALSE	
9	TRONC2	TRUE	FALSE	TRUE	FALSE			FALSE	FALSE	FALSE	
10	TRONC	TRUE	FALSE	TRUE	FALSE			FALSE	FALSE	FALSE	
11	UNPAID	TRUE	TRUE	TRUE	TRUE			FALSE	FALSE	FALSE	
12	BONUS	TRUE	FALSE	TRUE	TRUE			FALSE	FALSE	TRUE	
13	TRAIN	TRUE	FALSE	TRUE	TRUE			FALSE	FALSE	FALSE	

Fig 7 – Included in Holiday Pay Column

New Screen: Additional Holiday Pay Audit

Path: **HR > Employees > Employee List > {employee} > Employee HR Info > Holidays > Additional Holiday Pay**

Employee	FullTimeEmployee AnnualSalary	Employee Number	301	HMRC Ref. No.	H0037846086
Location	HolidayCalculation4weeklyCurrent	Job Title	HO Area Manager	NI Number	NS776622C
Start Date	03/11/2014	Termination Date	[N/A]	Status	Current

Select A Holiday Year — This Year ▼ — Search | Reset

Request Day	Payment Date	Relevant Period Start	Relevant Period End	Total Earnings	AWAHP	Daily Rate calculated	Hourly Rate calculated	Additional Holiday Pay	Status
20/07/2015		05/04/2015	28/06/2015	673.96	56.16	18.72 (Average Weekly Additional Holiday Pay)	2.81	18.72	Paid
21/07/2015		05/04/2015	28/06/2015	673.96	56.16	18.72	2.81	18.72	Paid
22/07/2015		05/04/2015	28/06/2015	673.96	56.16	18.72	2.81	18.72	Paid
23/07/2015		05/04/2015	28/06/2015	673.96	56.16	18.72	2.81	18.72	Paid
24/07/2015		05/04/2015	28/06/2015	673.96	56.16	18.72	2.81	18.72	Paid

Days Allowed = 24 [?]
Days Taken = 5 [?]
Days Booked = 0 [?]
Days Reserved = 0 [?]
Days Remaining = 19 [?]
Days Accrued = 22 [?]

☐ 1 ☐ 5 Records

Show 100 ▼ records per page

Fig 8 – Additional Holiday Pay Screen

- All elements used for calculating the Additional Holiday Pay are audited. This audit data can be accessed from the employee's Holiday screen via the link "Additional holiday Pay".
- This screen is available to you if you are logged in as user with access level of Payroll Administrator or Payroll Global Access and are seeing the holidays for an employee who is attached to Payroll.
- If you have Bureau services it is likely that you may not have access at this level but your Administrator in the Bureau can access this information should a query arise that requires this level of detail.

Out of Scope

- After this release, the Additional Holiday Pay calculation will not have any impact on casual workers who accrue holiday at the rate of 12.07% for each hour they work.
- Where an employee has Multiple Employments with each being paid on a different basis e.g. the first employment is salaried and the second is paid hourly.
- Holidays paid in advance - Where a holiday day is entered into the system, authorised and paid in advance manually by agreement, there will be no automated calculation for Advanced Holiday Pay.