



# Leave Management

SmoothPay provides powerful leave management and fine control of the accrual, valuation and payment of leave and termination of employment.

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**Please refer to Appendix A for a summary of leave settings applicable to each country supported by SmoothPay Payroll.**

Most of the example screenshots in this guide relate to settings used in **Australia**, however the explanatory notes following each screenshot describe the various settings that are available and how they operate.

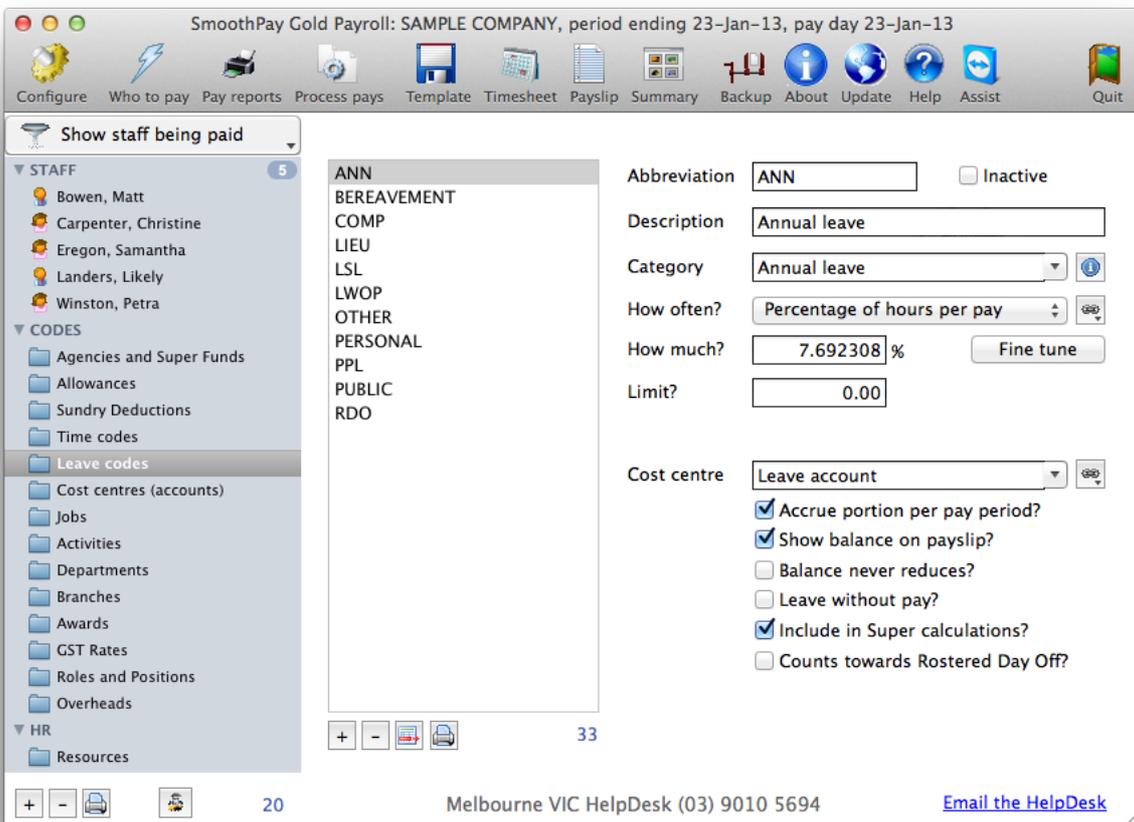
## Leave codes setup

If you installed from the localised installer for your country, then by default the leave settings will be correct and shouldn't be changed without expert advice.

**New Zealand:** we have a specific leave guide available on our website, due to the exceedingly complex leave legislation in that country.

You can create as many basic leave codes as you wish, and provide each code with basic accrual and units settings.

These codes are then available for use with all staff and can be tailored to each individual staff member's requirements or contract as needed (*you do not need to establish codes for variations on a particular leave type as this can be achieved per employee*)



*Leave codes screenshot: illustration of annual leave settings (Australia)*

Abbreviation	The code you wish to use to identify this leave type (also affects sort order)
Description	The name assigned to the leave code (as displayed on payslip)
Category	The legal classification that applies to this leave type (as various leave types may be subject to specific rules)

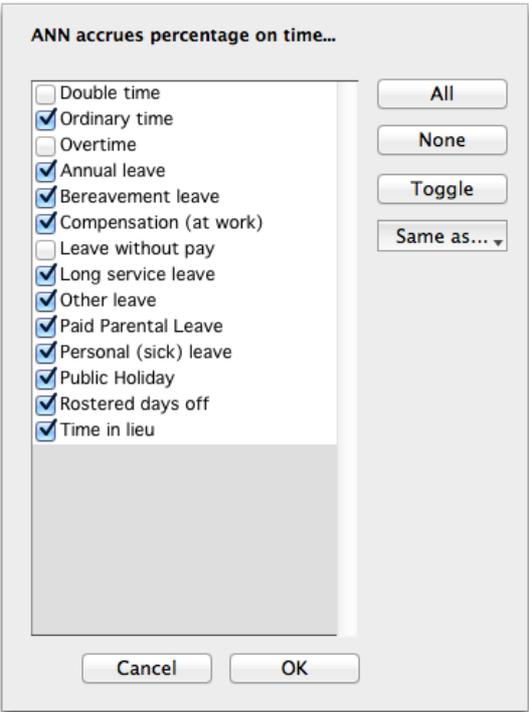
How often?	Specifies how this accrual occurs and is measured: <ul style="list-style-type: none"> <li>• <i>No entitlement or accrual (any entries made using this code will be regarded as being in hours, leave will not accrue)</i></li> <li>• <i>Weeks per year: usually applies to an annual accrual in weeks (though may also be accrued on a proportion per pay period)</i></li> <li>• <i>Days per year: ditto</i></li> <li>• <i>Hours per year: ditto</i></li> <li>• <i>Percentage of hours per pay (see Fine tune)</i></li> </ul>
How much?	The units to be accrued (weeks, days, hours or percentage rate)
Fine tune	Used by percentage accrual methods to determine which time and leave entries are used as the basis for the accrual calculation - <i>see the Fine tuning screenshot and description below.</i>
Limit?	Normally ZERO. Some leave types may have a maximum accrual limit assigned to prevent excessive accrual (the only known situation where this is used is New Zealand for Personal Leave)
Cost centre	Generally, the cost centre to which this leave type is costed - may be altered during pay input of leave taken
Accrue portion per pay period	Applies automatically to leave accruing on a percentage basis.  For annual leave methods, a proportion of the annual accrual will occur for each pay period processed ( <i>NOTE: no accrual will occur if a pay is not processed for an employee</i> )
Show balance on payslip?	The employee's pay advice will show their running balance for this leave type
Balance never reduces?	Applies to "self-balancing" leave types such as bereavement. This has the effect of recording the leave paid out in the employee's leave history and automatically adds on an accrual to offset the leave used.
Leave without pay?	Specifies that this leave code is always recorded with a zero \$value
Include in super calculations?	Specifies if this leave type contributes to superannuation calculations
Counts towards Rostered Day Off?	Indicates if this leave code contributes towards the total time for the pay period when RDO calculations are performed (in NZ this is referred to as TOIL or Time Off In Lieu, and is also known by various other names) <i>(this only operates if you are using RDOs)</i>

## Fine-tuning for percentage accruals

If a leave code accrues on a percentage basis either globally or for any individual employee, then the system needs to know which time and leave entries the calculation is to apply to. Click the Fine Tune button on the Leave Code setup screen then choose the time and leave types that contribute to the calculation.

For example, Australian employers accrue annual leave on a percentage of ordinary or equivalent hours (*which means anything that would have been ordinary time if the employee wasn't on leave*). Therefore, anything that isn't overtime (*or leave without pay*) serves as the basis for the calculation:





*Fine tune screenshot: illustration of annual leave settings (Australia only!)*

## Establishing an employee's leave balance (or making a correction)

Simply add an adjustment transaction to the employee's Leave..History - yes, it's that simple.

**Special note for NZ sites** who are migrating from one of the 100+ non-compliant payroll systems:

There is an annual leave balance assistant option in both SmoothPay Gold and goPayroll to establish a balance (*in weeks*) from a known or agreed termination value (*the magic happens by examining the employee's history and working out how many weeks would be required as a balance to produce a similar value - 52 weeks pay history is required for this to function correctly*).

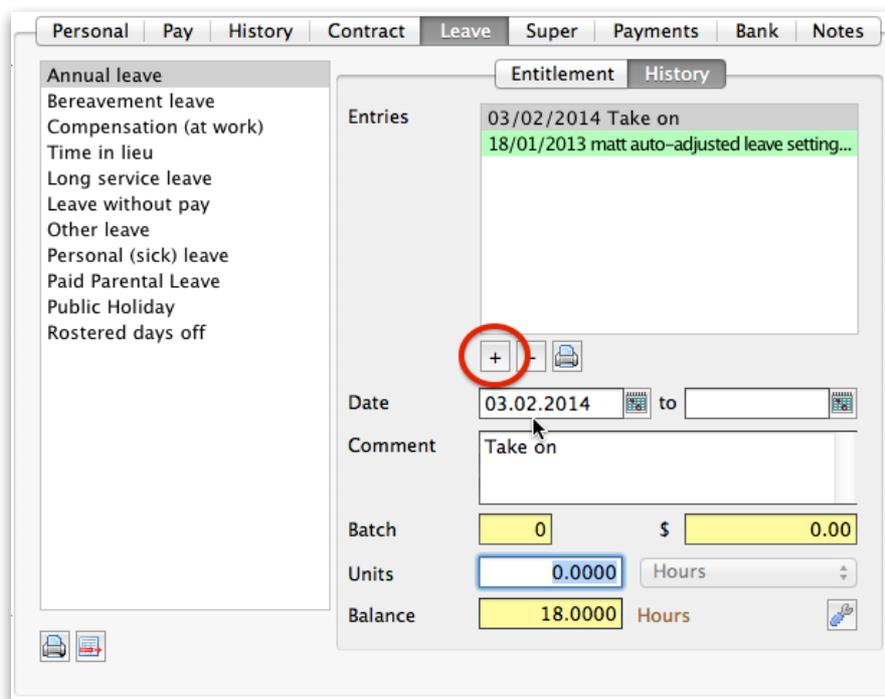
There are many reasons that a leave balance may need adjusting, including: leave taken not recorded, moving data from another payroll, changing from one method of accrual to another, previous processing errors etc.

Two methods can be used to adjust an employee's leave balance:

1. Add a manual adjustment transaction to the employee's Leave..History entries
2. Use the leave balance assistant to help you calculate the desired result

### Add a manual adjustment

Select the employee..Leave..History tab and click the "+" to add an adjustment for the selected leave type:



The screenshot shows the 'Leave' tab selected in the software interface. The 'History' sub-tab is active, displaying a list of leave entries. A red circle highlights the '+' button used to add a new adjustment. The form below the list includes fields for Date (03.02.2014), Comment (Take on), Batch (0), Units (0.0000), and Balance (18.0000 Hours).

*Leave history adjustment screenshot*

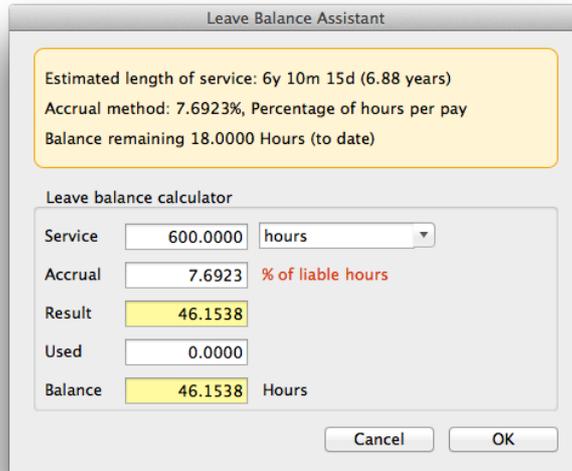
A “take on” adjustment entry will be created for you - complete the units (negative to reduce the employee’s balance, or a normal entry to increase the balance). Change the comment and date as required.

The entry now forms part of the employee’s leave transaction history.

Manually added transactions can be removed or edited as you see fit.

## Leave balance assistant

Select the employee..Leave..History tab and click the “Tool” assistant button



The dialog box titled "Leave Balance Assistant" displays the following information:

- Estimated length of service: 6y 10m 15d (6.88 years)
- Accrual method: 7.6923%, Percentage of hours per pay
- Balance remaining 18.0000 Hours (to date)

The "Leave balance calculator" section contains the following fields:

Service	600.0000	hours
Accrual	7.6923	% of liable hours
Result	46.1538	
Used	0.0000	
Balance	46.1538	Hours

Buttons: Cancel, OK

Complete the entries (*you may need to calculate these if transferring data from other payroll records*) to produce the required result.

Click OK to record an adjustment that leaves the employee with the required balance, otherwise click Cancel to discard.

Again, as with a manual adjustment, you can edit or delete the entry after it has been created.

## Accrual method conversion

We're often asked to advise on the correct method to change leave accrual methods, say from Weeks to Percentage hours (*the correct method in **Australia** for Annual Leave*), or from Hours to Weeks (*the correct method in **New Zealand** for Annual Leave*).



**BACKUP ALL DATA** prior to making any major changes in case errors are made and you need to Restore

3. Perform a backup!
4. Print a list of all current leave entitlements and a valuation for the leave code being changed (*Reports..Staff..Leave entitlements* and *Leave Valuation* will give you details of all leave types, or *Codes..Leave codes..Print tool* will give you these reports for a specific leave code). These are your worksheets.
5. Using data from the worksheets produced above, convert to the equivalent units *Examples below include Exact methods, provided where exact values are required (and where you have all relevant data available), and Quick methods, provided where existing accrual methods have been in effect for a long period of time.*

### **Exact conversion to percentage hours per pay**

- a) Calculate total liable hours since employment commenced
- b) Multiply by accrual percentage (e.g. 7.692308%, or 4/52)
- c) Calculate total hours of leave consumed
- d)  $B - C =$  current balance: Note it on the worksheet for later input.

### **Exact conversion to annual weeks**

- a) Calculate whole years of service since employment commenced
- b) Multiply by accrual units (e.g. 0.8667 for Long Service, or 4 for Annual Leave etc.)
- c) Calculate leave consumed (as weeks)
- d)  $B - C =$  current balance remaining unused from accruals up to last anniversary: Note it on the worksheet for later input.

### **Quick conversion, weeks to percentage hours per pay (Australia)**

Take the "to date" balance from the valuation report and multiply by the number of hours your employee generally works per **week**. Note it on your worksheet for later input.

### **Quick conversion, annual days to percentage hours per pay (Australia)**

Take the "to date" balance from the valuation report and multiply by the number of hours your employee generally works per **day**. Note it on your worksheet for later input.

### **Quick conversion, percentage hours to weeks accruing annually (NZ)**

Take the "anniversary" balance from the valuation report and divide by the number of hours your employee generally works per **week**. Note it on your worksheet for later input.

## Quick conversion, annual hours to weeks accruing annually (NZ)

Take the “anniversary” balance from the valuation report and divide by the number of hours your employee generally works per **week**. Note it on your worksheet for later input.

If you are converting using other methods (e.g. hours to days etc) then use the examples above to work out the correct procedure.

The **Exact conversion** methods should be used where possible.

4. Then, change the accrual settings (*either globally or per individual affected*) - see **Global accrual method changes** and **Individual staff leave settings** sections below for details.
5. Finally, add adjustment transactions to each employee’s Leave..History (see **Adjusting leave balances** below for examples).

## Global accrual method changes

SmoothPay provides various “Link” (*tools to perform global changes to all or selected groups of records*).



Here’s an example: You might have decided to change from Weeks or Days to Percentage hours per pay for annual leave (you’d only do this in **Australia** - it’s not legal elsewhere):

Make the required changes to the leave code’s accrual options (*Codes..Leave codes*), then select the required option from the Link tool:

The screenshot shows the 'Leave codes' configuration window for 'ANN'. The 'How often?' dropdown is set to 'Percentage of hours per pay'. A 'Link' tool is open, showing options to apply settings to all staff, currently displayed staff, casual staff, contractors, all staff (except casuals and contractors), or auto-adjust all settings for all staff.

*Leave codes screenshot: illustration of link-tool options*



**BACKUP ALL DATA BEFORE you make changes using these tools.**

The link-tool options are mostly self-explanatory and may vary by country or other system options and settings.

You will be prompted to confirm your action before changes are made.

**NOTE: Using global options will replace settings for all specified staff.**

**If some employees have unique settings you will need to reinstate these after the global option has been performed.**

## **Cloning (duplicating) individual leave settings**

SmoothPay's *Config..Options 2* provides the ability to "Clone" new employees based on the current employee that is selected.

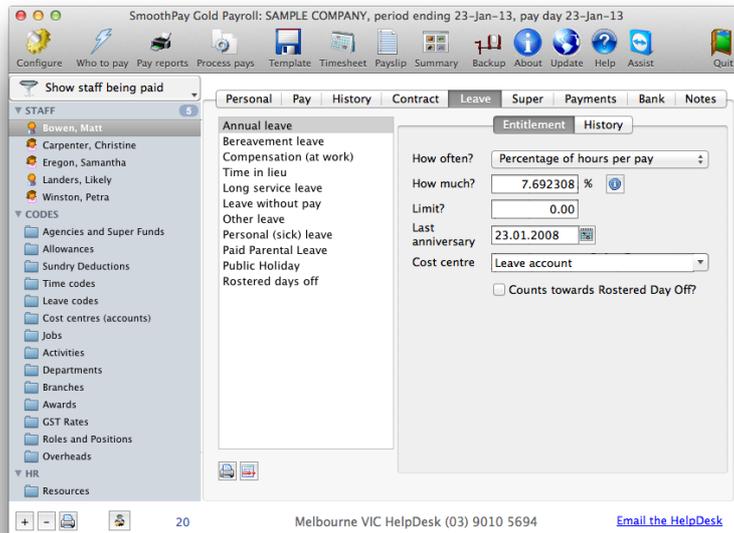
The option serves to create a new employee with a similar contract, similar leave settings, template pay entries and similar superannuation options (*all of which can of course be edited to suit that particular employee*).

Cloning is the fastest way to add similar employees, however you must be sure to select a similar employee first.

## Individual staff leave settings

Individual staff may be required to have leave settings slightly different to the normal settings (e.g. 5 weeks annual leave instead of 4 etc).

Select the employee you wish to alter leave settings for, then select their *Leave..Entitlement* tab and make your changes:



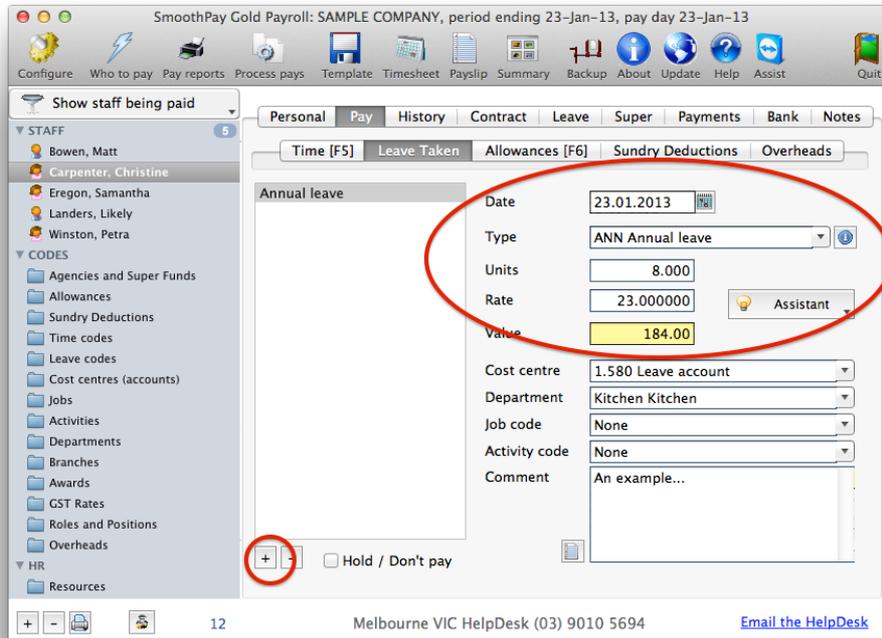
*Leave entitlement screenshot: illustration of annual leave settings (Australia)*

The main difference from the options available on the *Codes..Leave codes* screen are these:

Last anniversary	The employee's last anniversary (used by annual leave accrual methods)
Cost centre	Each employee's leave costs can be assigned to a cost centre other than the default.

## Consuming leave

When leave is taken, the entries are recorded in *Pay Input* as *Leave Taken* (exactly the same way you add work entries - except you use the “Leave Taken” tab, and there are a few extra options) - just click the “+” to add as entries as needed:



*Employee being paid for leave taken (consuming leave)*

Date	Defaults to the period ending date - you can change it if you wish and it will be used in the leave transactions history when the pay is completed.
Type	Select the leave type being consumed ( <i>leave types are defined in Codes..Leave codes and can be individually tailored per employee if required</i> )
Units	Usually hours of leave taken ( <i>if leave accrues in Days or Weeks then an additional field is displayed and must be set to consume the equivalent time to maintain correct leave balances</i> )
Rate	Defaults to the employee’s pay rate ( <i>may re-use a new rate if entered. Fixed-salary employees will have a new rate calculated so that their salary is maintained</i> )
Value	Calculated automatically ( <i>always zero if the leave type is Leave Without Pay</i> )
Assistant	The assistant is displayed any time you add an entry (it also provides for Termination/Final Pay calculations)

After checking your pay reports and completing the pay process, your Leave Taken entries will appear in the employee’s leave transactions history and their leave balance will be adjusted accordingly.

## Cashing-in annual leave

NZ and Australian law permits staff to cash-up annual leave, subject to a few basic rules.

### New Zealand:

- The employee must have accrued leave (therefore you can't cash-up in the first year, as leave accrues at the end of 12 months service)
- A maximum of 1 week can be cashed between anniversary dates (though it can be in parts of a week to a maximum of 1 week)
- The request must be in writing, and your response must be in writing
- You do not have to allow the cash-up, and you don't need to give a reason
- The payment is taxed at Extra Pay rates (and may result in a significant amount of the cashed-up value being lost to tax - and any excess may be claimed as a refund at the end of the tax year), it does not count towards averaged earnings for Holidays Act purposes. If paid off-cycle, it is very likely that the amount of tax deducted is less than it should be, and any shortfall will be payable at the end of the tax year. This is not the employer's (or Smoothpay's) problem - it is a consequence of a poorly designed set of tax rules.
- If you fail to follow the guidelines, the employee is entitled to reinstatement of any cashed-up leave paid that is outside these rules (so you would be liable for paying the leave entitlement a second time)

### Australia:

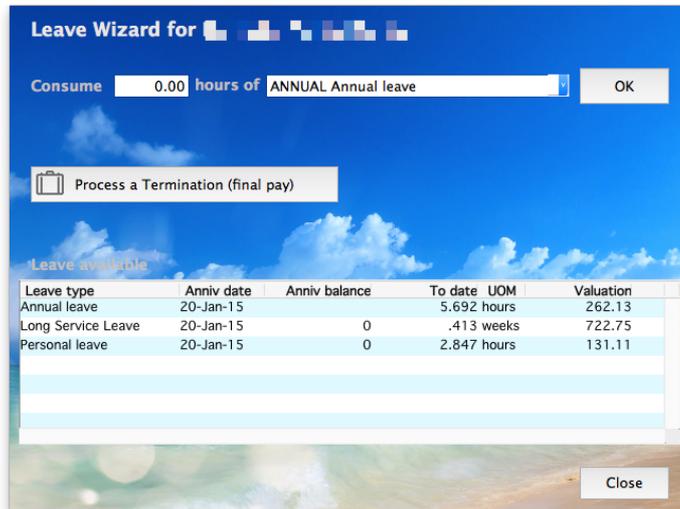
- The employee may be able to cash up up to 2 weeks of annual leave
- The employee must retain at least 4 weeks of annual leave
- Please refer to <https://www.fairwork.gov.au/leave/annual-leave/cashing-out-annual-leave> for additional information
- The amount is taxed at ordinary pay rules, and may generate a significant amount of tax, or a shortfall depending on how you structure the number of pay periods.

Most other countries do not have legislative rules around cashing-in annual leave - the point being that accrued leave is meant to be used for a break from work, rather than being treated as a piggy-bank.

## Terminations

Any employee can be terminated via the Leave Wizard.

Your first step should be to ensure that all current pay entries have been added (any ordinary, overtime, public holidays etc that might apply), then click the [+] in Pay..Leave Taken to display the Leave Wizard:

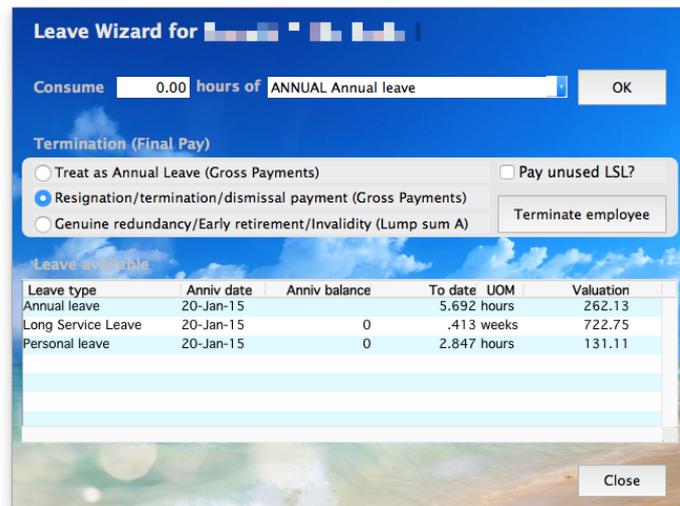


The screenshot shows the 'Leave Wizard for [Employee Name]' window. At the top, there is a 'Consume' field set to '0.00 hours of ANNUAL Annual leave' with an 'OK' button. Below this is a button labeled 'Process a Termination (final pay)'. Underneath is a section titled 'Leave available' containing a table with the following data:

Leave type	Anniv date	Anniv balance	To date	UOM	Valuation
Annual leave	20-Jan-15		5.692	hours	262.13
Long Service Leave	20-Jan-15	0	.413	weeks	722.75
Personal leave	20-Jan-15	0	2.847	hours	131.11

At the bottom right of the window is a 'Close' button.

Click the “Process a termination” button and complete any required selections (*the example is for an Australian employee where type of termination dictates how the unused leave will be treated*). If an employee is not permanent staff then their pay is simply flagged as a Final Pay, otherwise...



The screenshot shows the 'Leave Wizard for [Employee Name]' window. The 'Consume' field is still '0.00 hours of ANNUAL Annual leave'. Below this is a section titled 'Termination (Final Pay)' with three radio button options: 'Treat as Annual Leave (Gross Payments)', 'Resignation/termination/dismissal payment (Gross Payments)' (which is selected), and 'Genuine redundancy/Early retirement/Invalidity (Lump sum A)'. There is also a checkbox for 'Pay unused LSL?'. A 'Terminate employee' button is located to the right of these options. The 'Leave available' table is identical to the previous screenshot. A 'Close' button is at the bottom right.

Click “Terminate employee” to generate the termination pay entries.

### Canceling a termination

Deleting any item from pay input that is related to a termination pay (such as unused annual leave on a final pay etc) will cause the termination to be cancelled. Likewise, adding another annual leave entry to a final pay in-progress will also cause any termination entries to be removed.

A termination may also be cancelled by deselecting the employee from Who To Pay, or by adding another pay entry (displays the Leave Wizard) and choosing “Cancel termination”

## Leave reporting

A variety of comprehensive reporting options are available:

Reports..Staff..Leave entitlements	Produces a report of leave entitlements for all current staff, for all accruing leave types
Reports..Staff..Leave valuation	Produces a report of leave balances as at anniversary date, current date and estimated value, for all current staff, for all accruing leave types
Staff..Leave..Entitlement	Use the "Printer" tool to select Leave Valuation and Leave entitlements reports for a specific employee
Staff..Leave..History	Use the "Printer" tool to print a report of Leave transactions history
Codes..Leave codes	Provides a variety of reports (depending on the selected leave type): <ul style="list-style-type: none"><li>• Code list (settings etc)</li><li>• Code history (for a selected pay run or batch)</li><li>• Code history (for a selected date range)</li><li>• Entitlements (for the selected leave type for all current staff)</li><li>• Leave valuation (for the selected leave type for all current staff)</li></ul>
Assistant	Provides a powerful toolkit of options, such as automatic termination calculations, leave availability etc.  Functions available depend on the leave type's category and the nature of the employee's contract and leave settings.

## Feedback

We're always keen to do better!

Any and all feedback is appreciated and if you feel we could include better examples, provide more explanation, provide references to additional information, make a process easier to use, or you spot something that isn't working the way it's supposed to - please let us know.

## APPENDIX A: TABLE OF BASIC LEAVE SETTINGS BY COUNTRY

The following tables illustrate the basic leave entitlements provided by legislation or common-practice and are the defaults provided with SmoothPay.

AUSTRALIA	Accrual method	Entitlement	Accrues per pay	Accrues annually
<b>Annual leave</b>	Percentage of hours ( <i>4 weeks pro-rated on ordinary time or it's equivalent</i> )	7.692308% (or 4/52)	✓	
<b>Personal leave</b>	Percentage of hours ( <i>10 days pro-rated on ordinary time or it's equivalent</i> )	3.846154%	✓	
<b>Long service leave</b>	Weeks per whole year of service	0.8667 (varies by state)		✓

Long service leave typically has no realisable value until the employee reaches a length of service threshold (varies by state).

Annual Leave Loading (typically 17.5%) may apply to the value of annual leave taken according to Award or agreement.

Casual Leave Loading (typically 25%) may apply to all ordinary time or equivalent earnings according to Award or agreement.

Refer to the Leave Loading guide for more information about setting up Loadings correctly.



**QLD Long Service Leave for casual/part-time/irregular staff:** Queensland has special accrual rules for this category of employee and you should accrue leave in one of two ways:

- “Magic” annual accrual using the formula (ordinary hours worked / 52) x (8.6667 / 10). This requires the employee’s LSL entitlement to be set to Hours, accrual set to zero, not accruing per pay period, or, if you prefer to accumulate LSL each pay period...
- 1.666673% per pay period (*make sure you fine-tune the LSL leave code to operate only on ordinary hours worked*)
- Any other method will operate however you set it up (*unfortunately the results you get will be incorrect*).
- The Issues report will identify any incorrectly configured LSL settings and suggest a correction

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NEW ZEALAND	Accrual method	Entitlement	Accrues per pay	Accrues annually
Annual leave	Weeks	4 weeks		✓
Personal leave	Days	5 days		✓



Annual leave accrual methods other than 4 weeks accruing annually are illegal except in very specific and exceptional circumstances. The helpdesk will not provide support for non-compliant leave methods and leave values should be regarded as estimates only.

Casual Leave Loading of 8% applies to all taxable earnings (including overtime and allowances) according to Award or agreement. Some employers prefer to include the loading in employee's hourly rate (Config..Options..Casual staff pay rates include loading) in which case the loading value will be displayed on the employee's pay advice in the comment section. The pay rate, excluding the 8% loading, must not be less than the published minimum pay rate for the class of employee.

Personal leave accrual commences at 6 months and annually thereafter.

*Refer to the NZ-specific leave guide for additional information about leave, including 1st Week ACC, Parental Leave and its effect on Annual leave, TOIL (similar to RDO in Australia), Alternative leave for work on Public Holidays, Average Weekly Earnings and Relevant Daily Pay (all handled by SmoothPay as per the various Acts.*

PAPUA NEW GUINEA	Accrual method	Entitlement	Accrues per pay	Accrues annually
Recreation leave	Days	14	see notes	✓
Sick leave	Days	6	see notes	✓
Long service	Days	3.5		✓



SmoothPay's default installation for PNG implements annual accruals for leave as the default for all new staff.

You may set leave to accrue per pay period, which has the effect of not accruing for periods of absence (a true pro-rated accrual), however you should seek specialist advice before changing methods.

*Refer to the PNG-specific payroll guide for additional information about processing payroll in PNG.*

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<b>SAMOA</b>	<b>Accrual method</b>	<b>Entitlement</b>	<b>Accrues per pay</b>	<b>Accrues annually</b>
<b>Annual leave</b>	Days	10	see notes	✓
<b>Sick leave</b>	Days	10	see notes	✓



SmoothPay's default installation for Samoa implements annual accruals for leave as the default for all new staff.

You may set leave to accrue per pay period, which has the effect of not accruing for periods of absence (a true pro-rated accrual), however you should seek specialist advice before changing methods.

*Refer to the Samoa-specific payroll guide for additional information about processing payroll in Samoa.*

<b>SOLOMON ISLANDS</b>	<b>Accrual method</b>	<b>Entitlement</b>	<b>Accrues per pay</b>	<b>Accrues annually</b>
<b>Annual leave</b>	Days	15	see notes	✓
<b>Sick leave</b>	Days	22	see notes	✓



SmoothPay's default installation for Solomon Islands implements annual accruals for leave as the default for all new staff.

You may set leave to accrue per pay period, which has the effect of not accruing for periods of absence (a true pro-rated accrual), however you should seek specialist advice before changing methods.