

This Factsheet is a guide to *Cashing Up Annual Leave* as provided for by the Holidays Act, along with additional links to further reference material.

If there is any question or argument relating to an Employee's entitlement, or the amount that should be paid, you should contact the *Department of Labour* and ask for a determination by a *Labour Inspector*.

## Important concepts

- Cash-Up payments in **SmoothPay** can (*and should*) be made from the *Annual Leave Assistant* screen so that the correct value for the leave being cashed up is calculated (use the *Cash-up button* for the value to be transferred to a cash-up allowance). You could also directly enter a Cash-Up Allowance (**not recommended**), however the value of the payment can't easily be determined without reference to the *Annual Leave Assistant*.
- The *Cash-Up Allowance* must be set up as being taxed using *Extra Pay rules*, and flagged as *non-accruing* so as not to affect *Relevant Daily Pay* and *Average Weekly Earnings* calculations. **SmoothPay** will automatically create and correct this allowance code (*CASH-UP*) and settings for you.
- The Cashed-Up *period of leave* will be automatically deducted from the Employee's *Annual Leave balance* when the Pay is completed.
- Annual Leave cannot be Cashed-Up without a *written application* from the Employee.
- You do not need to approve or give a reason for declining any application. Your decision, to approve or decline the application, must also be in writing.
- An Employee may cash up to a maximum of 1 week of Annual Leave in any 12 month period. **SmoothPay** will not check this for you.
- Annual Leave accrued prior to 1 April 2011 cannot be cashed up. **SmoothPay** will not check this for you.
- Annual Leave is valued **AT THE TIME IT IS CASHED UP** and you must be certain you are paying the correct amount.

## Payment for cashed-up Annual Leave

- You must pay Annual Leave, even when Cashing-Up, using the best weekly value determined from:
  1. Ordinary Weekly Earnings (**OWE**),
  2. Average Weekly Earnings (**AWE**),
  3. An agreed weekly value.
- **OWE** is the amount an Employee would have received for a normal week's work.
- **AWE** is based on earnings for the last 12 months (or since the Employee started if less than 12 months ago)

By default, **SmoothPay** will choose the most valuable weekly rate from 1, 2 or 3.

See the following example, with screenshots, of the Cash-Up process in action.

**An example – Cashing-Up 1 week of Annual Leave**

In this example, we'll Cash-Up 1 week of Annual Leave - this is the most that can be cashed-up in any 12 month period.

Choose *Pay Input...F5*, then *Add Entry*. Enter the *Time Type* as *Holiday*. The *Annual Leave Assistant* will be displayed (or you can click the *Assistant* button):

**Holiday Pay Rate Assistant** (works a 5 day week)

Pay out  weeks ( or  days,  hours) Pay \$value  
\$510.67

Select applicable pay rate	\$Per Week
<input checked="" type="radio"/> 1. Ordinary WEEKLY pay rate	232.05
<input type="radio"/> 2. Average ordinary WEEKLY rate (last 4 weeks)	208.11
<input type="radio"/> 3. Agreed special rate of WEEKLY pay	0.00
<input type="radio"/> 4. Average ordinary WEEKLY rate (last 52 weeks)	230.74

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)

Show calcs

Then, click the *Cash-Up* button and the value will be transferred to a *Cash-Up Allowance* (you can view, edit or delete it in the *F6 Allowances* screen), replacing any existing Cash-Up entry that might already be there.

**Note:** It will not appear as Annual Leave in the *F5* screen, as the Employee isn't actually on Annual Leave.

**Allowances and Piecework entry for**

Description	Units	Rate	Value
Cash up annua	1.00	232.050000	232.05

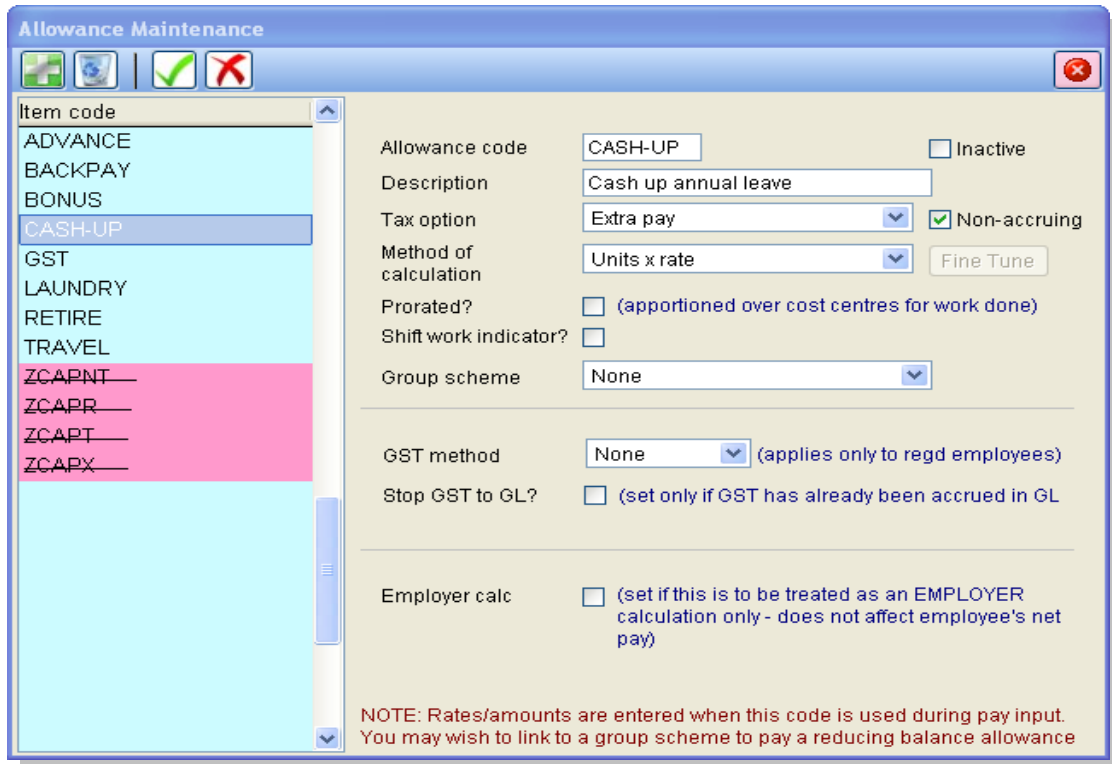
Allowance/piecework Line Editor

Allowance code	<input type="text" value="CASH-UP"/>	Date	<input type="text" value="10/08/2008"/>	Units	<input type="text" value="1.00"/>	Rate/Amount	<input type="text" value="232.050000"/>
Comment	<input type="text" value="Cash up 1 week"/>	Value	<input type="text" value="232.05"/>				

Calculation method: Extra pay (non-accruing), Units x rate

Group scheme membership details:

The *Cash-Up Allowance Code* is maintained automatically by **SmoothPay** - it gets checked any time it is used. This screenshot is from *Payroll Codes...Allowances*:



The screenshot shows the 'Allowance Maintenance' window with the following configuration for the 'CASH-UP' allowance code:

- Item code: CASH-UP
- Allowance code: CASH-UP
- Description: Cash up annual leave
- Tax option: Extra pay
- Method of calculation: Units x rate
- Prorated?:  (apportioned over cost centres for work done)
- Shift work indicator?:
- Group scheme: None
- GST method: None (applies only to regd employees)
- Stop GST to GL?:  (set only if GST has already been accrued in GL)
- Employer calc:  (set if this is to be treated as an EMPLOYER calculation only - does not affect employee's net pay)

NOTE: Rates/amounts are entered when this code is used during pay input. You may wish to link to a group scheme to pay a reducing balance allowance

## Further reference

Department of Labour website	<a href="http://www.dol.govt.nz/">http://www.dol.govt.nz/</a>
SmoothPay documentation and forms	<a href="http://www.smoothpay.co.nz/tutorials/">http://www.smoothpay.co.nz/tutorials/</a>
Department of Labour contact centre	<b>0800 20 90 20</b>
SmoothPay HelpDesk	<b>(06) 353 6462</b>

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