SmoothPay Payroll BULLETIN

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Greetings!

We're reprinting our article on ***maximising KiwiSaver ETC*** amounts, despite the IRD not being quite up with the play - you had best make the most of the free ETC amounts for your employees while it's available...

And, we've been receiving an unprecedented number of calls regarding ***annual leave payments***, so we've got some handy tips and pointers in the following articles.

Our next-generation (our fifth!) payroll, **SmoothPay Gold** is very near to completion and will be released initially for PC's and Macs in the Australian market - and it integrates solely with MoneyWorks accounting products. A beta release program is available if you want a sneak preview of what's ahead in the world of payroll - just call and we'll email you a link.

Remember, if you'd like to have an easier way of performing a task in Smoothpay, then please let us know and we'll see what we can do to assist - you never know, it might already be in there!

Cheers, *Matt & the SmoothPay support team.*

Maximising KiwiSaver subsidy and ETC - for FREE!

SmoothPay can now automatically maximise employer subsidy and ETC, granting a zero-cost way of increasing your employee's KiwiSaver savings.

There are two ways this happens:

- **Employee's paid monthly, IR345 paid twice each month**: The weird KiwiSaver calculation rules meant that clients required to file twice-monthly IR345s would not have been able to claim the full month's ETC (Employer Tax Credit) for the compulsory employer contribution (because you can only claim for the number of days in the tax period being reported). This has been addressed by automatic "topping-up" of the ETC so that you claim the full ETC for the month, less any amount already claimed in that month.

- A ***KiwiSaver TopUp*** flag has been added to Company Setup..KiwiSaver. This option automatically applies the **maximum amount of employer contribution** that can be claimed back from IRD as a tax credit **without incurring any additional expense for the employer**. Note: using this option removes the ability to manually enter KiwiSaver lump-sum employer contributions, as the amount is calculated automatically in the last pay of the month for each employee. *Note that spurious payroll processing behaviour, such as paying a monthly employee twice in the same month etc may cause the KiwiSaver subsidy to become overstated. This option may also result in part of the free subsidy being consumed as ESCT (formerly SSCWT)*

More about KiwiSaver...

ANNUAL LEAVE PAYMENTS

Are you underpaying your staff?

We've been receiving an unprecedented number of calls relating to payments for annual leave.

The problem? There are still those who think a salary is protected (it's not), that commission payments don't affect the value of annual leave (they do), that it's OK to accrue leave in hours or days (it isn't), and that employees should only receive their ordinary rate of pay for any time off (it's not).

The rules are quite clear:

An employee is entitled to be paid for any annual leave they take, at a rate which represents the best of their average weekly earnings for:

1. Their current contract
2. The last 4 weeks (esp if they are irregular hours workers - this can be turned off if they work regular hours)
3. The last 52 weeks

That's the law, however we are aware that most hospitality employers accrue leave at 8%, then pay that out at the employee's current hourly rate - completely illegal of course, but easy for the employer and the employee to understand, even if it means the employee is not being paid enough.

There are some exceptions (of course), and we're always happy to assist you if you need.

This is NOT a legal opinion - just our expert advice, however we're sure you'll get the same answer from the Labour Department.

ANNUAL LEAVE BALANCES

An employee has up to THREE leave balances...

Hopefully, this will clear up many misconceptions.

With the exception of casual employees, who receive annual leave payments as they go, each employee has THREE annual leave balances that you must understand. These values are all visible on the employee's holiday setup screen:

1. Leave Remaining from last anniversary
This is the amount of leave remaining unused from the annual accrual performed at the end of each complete year of service, less anything used since. If it's negative, then the employee has taken leave in advance.

2. Estimated leave balance
This is based on the Leave remaining from last anniversary PLUS a pro-rated portion of their annual accrual. For example, if 6 months have elapsed since last anniversary, then 2 weeks would be added. This is an estimated entitlement only. It is not recommended to advise employee's of this value in most cases, as if the employee leaves they receive an entitlement calculated using termination rules (see final pay assistant below), which may be vastly different in value.

3. Termination value
This is the amount the employee is entitled to be paid if they were to leave right now and had no other time yet to be paid out.

The ***annual leave assistant*** (Pay Input) provides for entry of any specified number of weeks (or days/hours as a proportion of a week) as well as methods to pay out estimated leave (2), or $value (3). So as long as your leave balances and accrual methods are set correctly, then everything is done for you.

The ***final pay assistant*** (Pay Input) automatically applies the termination rules. The employee is entitled to:

8% of their earnings+unused annual leave accruals remaining from last anniversary, PLUS their unused annual leave.

Our guides cover these topics quite thoroughly, and as far as we know SmoothPay continues to be the ONLY fully complaint payroll in New Zealand - so beware the snake-oil salesmen.

Contact us if you have any questions or suggestions, and we'll do whatever we can to assist.

Regards,

Matthew Gardner
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