

Holiday Pay Module

Creating a flexible solution for calculating and paying Holiday Pay to your employees correctly

The Issue

In 2014 two employment tribunals, *Fulton v Bear Scotland* and *Lock v British Gas*, resulted in two new rulings regarding calculation of holiday pay. They stated that overtime and commission should be included in the holiday pay calculation. This resulted in employees who receive such payments needing to have an enhanced rate of holiday pay calculated using an average of the previous 12 weeks earnings. These rulings apply to statutory leave (minimum of four weeks paid annual leave) but not additional or contractual leave (1.6 weeks of paid leave).

The new rulings have not been written in to UK legislation UK yet. The Government has a taskforce in place to interpret the rulings and detail how they should be implemented. Currently, there is no guidance for calculating holiday pay other than it should be done consistently within the business. Consequently, other pay elements maybe included in the future.

The Solution

Your payroll offers your business a flexible solution to configure holiday pay, taking into account the pay elements you want to include according to your business practice, i.e. overtime and commission payments. Unlike other solutions, your payroll allows you to choose whether you want to include weeks the employee received zero pay, holiday pay or statutory payments.

Payroll will automatically calculate the amount of holiday pay due to your employees based on your tailored requirements.

Easy Configuration

The Holiday Pay module includes options for you to configure your holiday pay scheme, to:

- Define pay elements to include in your holiday pay calculation
- Define a monthly divisor for the 12 week average weekly earnings calculation for monthly paid employees
- Set the default holiday entitlement for enhanced (statutory leave) and contractual leave
- Choose periods to exclude from the 12 week average weekly earnings calculation, such as periods that have zero pay or statutory payments
- Specify different enhanced and contractual holiday entitlement for each individual employee, if required

Automatically Calculate

Unlike some other solutions, the Holiday Pay module will automatically calculate and pay the 12 week average weekly earnings for holiday pay as part of the payroll run. This easy-to-use process will save you time and reduce errors when calculating employees' entitlement to enhanced and contractual holiday. There are no complex processes to run and no additional man power needed; it's all taken care of within payroll.

Holiday Pay Calculation

Your payroll has an option to quickly view the holiday pay calculation for an employee showing:

- How the average weekly earnings value has been calculated
- All pay periods included in the average weekly earnings calculation along with the total earnings
- Any pay periods excluded from the average weekly earnings calculation

Software Updates

This solution will be updated in line with any changes to legislation allowing your business to remain compliant.

Note: The Holiday Pay Module will be available shortly in IRIS Payroll Professional and Earnie (excluding Earnie IQ).

Give us a call on 0844 815 5676 to find out how much time and money your business can save by choosing the Holiday Pay Module today.