IRIS Holiday Pay Module Guide

Earnie™ IQ

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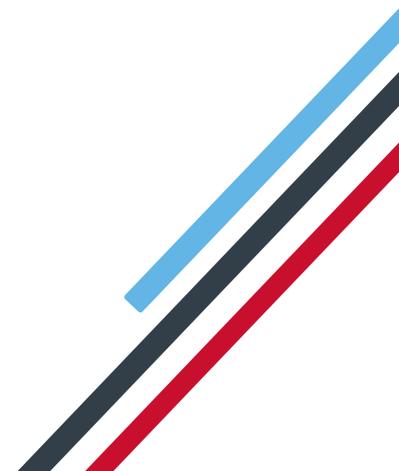
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Introduction to the IRIS Holiday Pay module

In 2014 two employment tribunals, Fulton v Bear Scotland and Lock v British Gas, resulted in two new rulings regarding the calculation of holiday pay. They stated that overtime and commission **should** be included in the holiday pay calculation. Click **here** to view a document which provides an overview of the rulings and explains how they affect holiday pay.

The rulings have not been written into UK legislation yet. The government have a taskforce in place to interpret the ruling and detail how it should be implemented.

There are a number of things to consider:

- There is no clear definition of how to calculate the payments, other than an average of 12 weeks
- What constitutes a day or an hour's holiday pay
- How holiday is calculated for monthly-paid individuals
- Whether the whole pay period be excluded from the calculation if a statutory payment is included

The IRIS Holiday Pay Module provides a flexible solution, allowing you to define how the payment should be calculated.

The IRIS Holiday Pay Module will be updated in line with any changes to the law allowing your business to remain compliant.

There are many new terms in use describing the different aspects of Holiday Pay; these are explained in the **Glossary of Terms** at the end of this guide.

Steps to setting up the IRIS Holiday Pay module

The steps you need to follow when setting up the IRIS Holiday Pay module are as follows:

| Turn on the IRIS Holiday Pay Module | → | Configure Default Allowances | → | Establish which 12 weeks to use for Average Weekly Earnings | → | Define the pay elements to be included in Average Weekly Earnings | → | Use **Global Changes** to update the Default Allowances of those affected by the ruling | → | Configure the Holidays of individual employees |
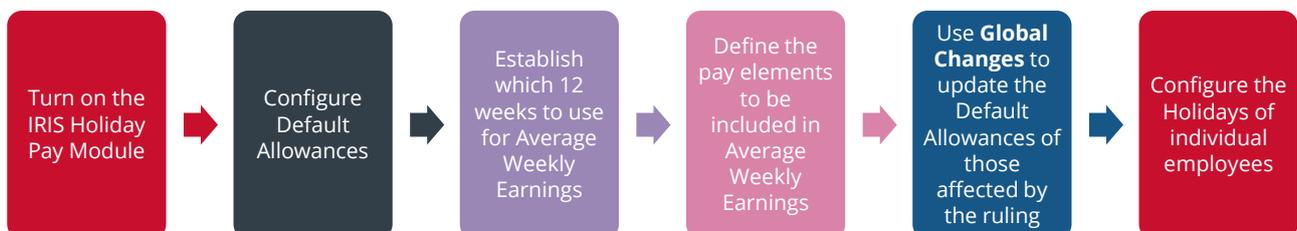
Turn on the IRIS Holiday Pay module

After activating the IRIS Holiday Pay module with new license details, you must then 'turn on' the function in each company you wish to use it in.

To do this:

1. From the **Company** menu select **Holiday Set-up**
2. Tick the **Enable Enhanced Rate Holiday Pay** box

This changes the screen to display the various Holiday settings you are able to configure.

Configure Default Allowances

Firstly, you need to configure the options on the **Holiday Set-Up | Default Allowance** and **the Holiday Set-Up | Holiday Calculation** tabs.

It is important to note that changes made on the **Holiday Set-Up** screen will only affect NEW employees that you create after making these changes. To update existing employees, you will need to use **Global Changes** as described further on in the Guide.

Default Allowance tab

Holiday Pay

This is where you 'switch on' the module as described previously, and where you input your default holiday rates and allowances for the company.

You need to complete the following fields:

Holiday Type	• Can be **Hours**, **Days**, **Weeks**, **Months** or **Accrual**. If set to **Accrual**, the other **Default Settings** will not be available. The module is not compatible with holiday **Accrual**
Default Enhanced Holiday Allowance	• The amount of Holiday **Hours**, **Days**, **Weeks**, **Months** each employee gets by default to cater for overtime/commission payments
Default Contractual Holiday Allowance	• The amount of Holiday **Hours**, **Days**, **Weeks**, **Months** each employee gets by default as part of their contract of employment
Default Contractual Holiday Rate	• The amount of Holiday Pay per **Hour**, **Day**, **Week**, **Month** each employee gets by default as part of their contract of employment

Establish the 12 weeks to use for Average Weekly Earnings

Holiday Calculation tab

Use these options when establishing which twelve weeks to use when calculating the **Average Weekly Earnings** (AWE) for each employee.

Tick the box for each option you wish to apply, to either Weekly or Monthly paid employees, or both:

|	
Exclude zero paid periods	• if ticked, the system ignores any pay periods where net pay is equal to zero
Exclude periods with Holiday Pay	• if ticked, the system will ignore any pay periods in which Holiday Pay was paid
Exclude periods with Statutory Payments	• if ticked, the system will ignore any pay periods in which any or a combination of SSP, SMP, SAP, SPP or ShPP were paid
3 monthly pay periods equates to <number> weeks	• use this to specify how many of your pay weeks are contained within three calendar months

Once you have completed these options, click on the **Configure Earnings** button at the bottom of the window**.**

Define the pay elements to be included in Average Weekly Earnings

Configure Average Weekly Earnings

Use this screen to specify which elements of pay you would like to be included with the AWE calculation.

Use the tree view by clicking on the plus sign to reveal more pay elements. Tick/un-tick the boxes as required and click **OK**.
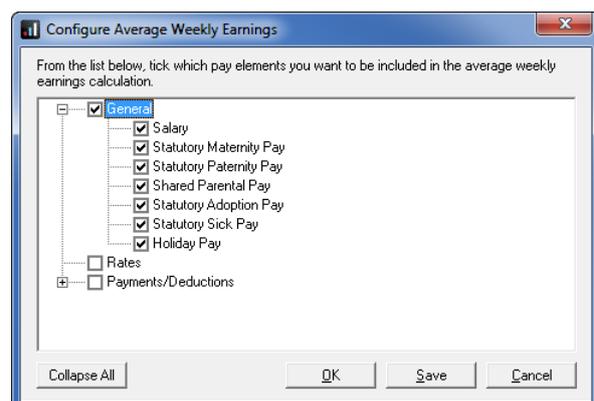
Configure the Holidays of individual employees

Changes made on the **Holiday Set-Up** screen will only affect NEW employees that you create after making these changes.
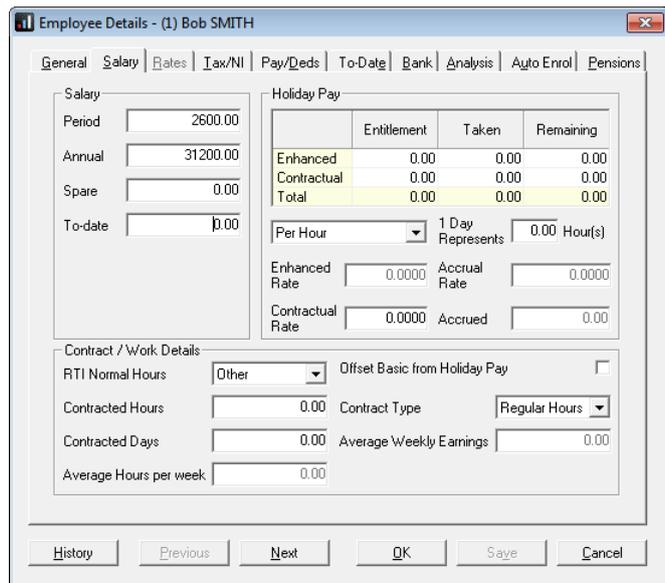
The default amounts will be shown in **Employee Details** of new employees that you create. Edit them here if you need to.

Employee Details

1. From the **Employee** menu
2. Click **Select Employee**
3. Select the employee concerned and click **OK**
4. Click on the **Salary** tab

Holiday Pay

Enhanced Rate is calculated for each employee during the payroll run and will appear here afterwards. You cannot edit this here.

The other fields here should show the default amounts you set up previously. You are able to edit them if you need to.

Working Hours

Normal Hours Worked per Week has been renamed to **RTI Normal Hours**.

You need to enter **Contracted Hours** per week or **Contracted Days** per week, and select from the drop-down list whether the employee works **Regular Hours** or **Irregular Hours.**

> **Regular Hours** refers to when an employee works the same fixed hours each pay period
> **Irregular Hours** refers to when an employee works different hours or shifts each pay period

Average Hours per week and **Average Weekly Earnings** are calculated for each employee during the payroll run and will appear here afterwards. You cannot edit these fields here.

The **Offset Basic from Holiday Pay** indicator is used specifically for employees where separate holiday pay isn't paid but you need to pay the extra enhanced rate.

For example, a sales employee when taking holiday is just paid a salary as normal, however as they usually earn commission this needs to be included in the AWE to calculate the enhanced rate holiday. Enter a contractual holiday rate and tick this box then the payroll software will calculate what the normal holiday would have been and only pay the extra amount.

> **Important Note: Enhanced Rate**, **Average Hours per week** and **Average Weekly Earnings** will be populated by the payroll run into **Employee Details** and will be read-only. They can be overridden in the payroll run for a particular period.

Use Global Changes to update Default Allowances

Changes made on the **Holiday Set-Up** screen will only affect NEW employees that you create after making these changes. To update existing employees, you will need to use **Global Changes**. First of all you need to make sure you have a backup of your data which you can revert to if you run into any difficulties. Then:

1. From the **Tools** menu select **Global Changes**

2. Use this screen to select the employees you wish to change. You can either leave the selection at **All**, or click **Select Now** and then select individuals.

   Click the **List** button and tick the **Enable Multiple Selection** box, to select from a list of your employees. Simply click each name to highlight them and click **OK** when you are finished. Or you can type directly into the **Condition** and **Detail** boxes to select by **Code**. For more detailed selections, click on the **Filter** button. Once you are happy with your selection, click **OK**

3. You will now see the **Global Changes** screen. The fields you need to change are on the **General** tab. For each field, you need to select an **Action** and enter a **New Value.** If you click into the **Action** column, a drop down list will appear containing the actions available to you. There may also be a drop down in the **New Value** column, if not, just type the **New Value** you want directly into the grid.

Field Description	Action	Value
Holiday Type	Overwrite	Enter the default basis on which Holiday Pay is paid, **Per Hour**, **Per Day** or **Per Week**
Enhanced Entitlement	Overwrite	Enter the default amount of Enhanced Holiday Hours/Days/Weeks/Months the employee is entitled to
Contractual Entitlement	Overwrite	Enter the default amount of Contractual Holiday Hours/Days/Weeks/Months the employee is entitled to
Contractual Rate	Overwrite	Enter the default rate at which Contractual Holiday is paid

4. When you are finished, click **OK** and then click **Yes** to make the changes. Then click **OK**

Other fields you may wish to change using Global Changes:

- Contracted Hours
- Contracted Days
- Contract Type
- Offset Basic from Holiday Pay

Unless all employees have the same entries for these fields, you will need to do a selection as described in step 2 of this section.

Use Import to update Default Allowances

If you have an Excel spreadsheet, fixed length or csv file, it is possible to update the Holiday details using the **File | Import Data** function. Again, make sure you have a backup of your data first.
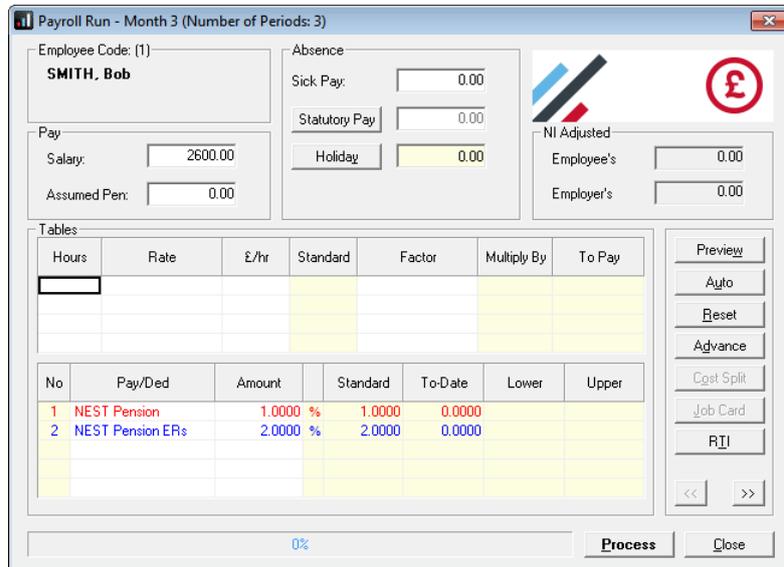
The fields you can import are:

- Contract Type
- Contracted Days
- Contractual Hours
- Holiday Contractual Taken
- Holiday Day Represents
- Holiday Enhanced Entitlement
- Holiday Enhanced Remaining
- Holiday Enhanced Taken
- Holiday Entitlement
- Holiday Left
- Holiday Pay Rate
- Holiday Type
- Offset Basic from Holiday Pay

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Pay Holidays during Payroll Run

When you come to paying an employee who is entitled to enhanced holiday pay, during the payroll run:

1. Click on their **Holiday** button in the **Absence** section of the screen

2. You will then see this screen:
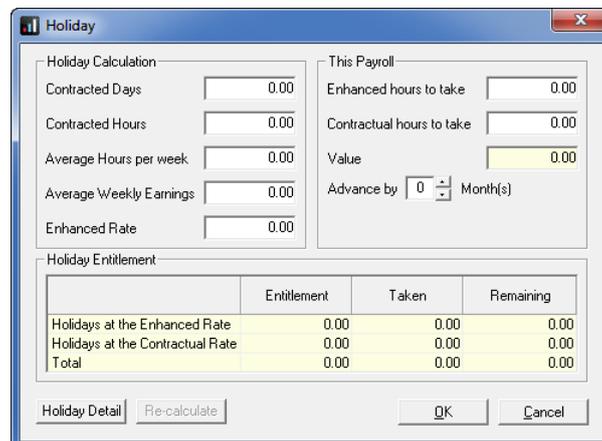
The system does the **Holiday Calculation** for you, you just need to enter the holiday amounts taken in the **This Payroll** section. The system calculates values for **Average Hours per week, Average Weekly Earnings** and **Enhanced Rate**; if you want to alter these in payroll run you can, however only changes to **Enhanced Rate** will affect the **Holiday Calculation**. Changes will show on the **History** button beside those fields in **Employee Details**.

3. Click the **Holiday Detail** button to view a more comprehensive explanation of the calculation:
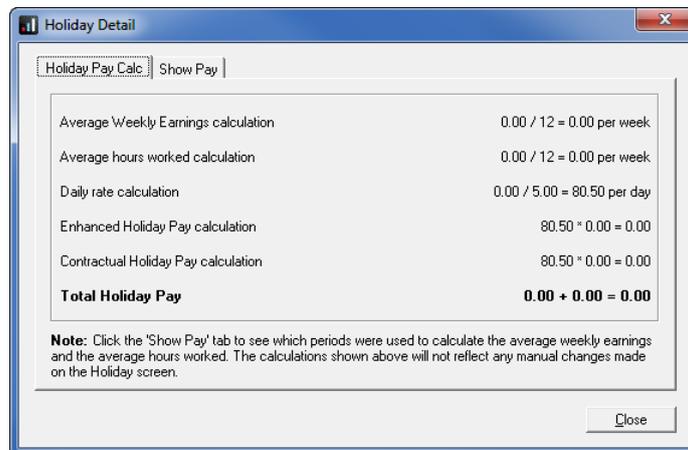
If you manually alter any holiday fields in the payroll run, this screen will reflect those changes

4. Click the **Show Pay** tab to view which weeks were used to calculate the AWE:
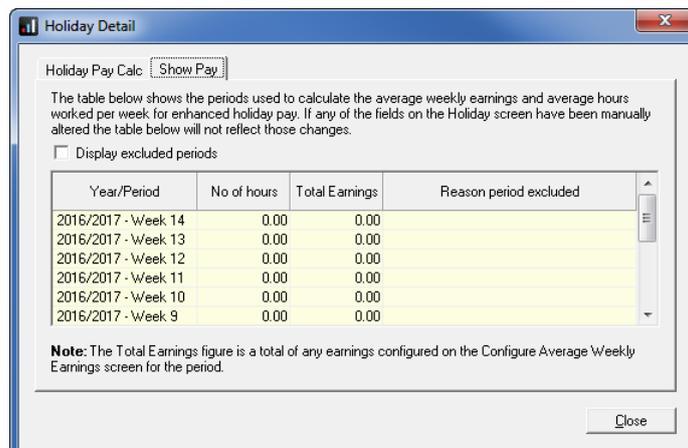
Entering Holidays via the Absence Diary

When you enter holiday via the calendar, you now have the option to add holidays at the Enhanced or contractual rate.

Reports

Several reports have been added/amended to assist with Enhanced Holiday reporting.

Period Holiday Summary

- The report shows **Holiday Type** in a specified period, split between Contractual and Enhanced rates
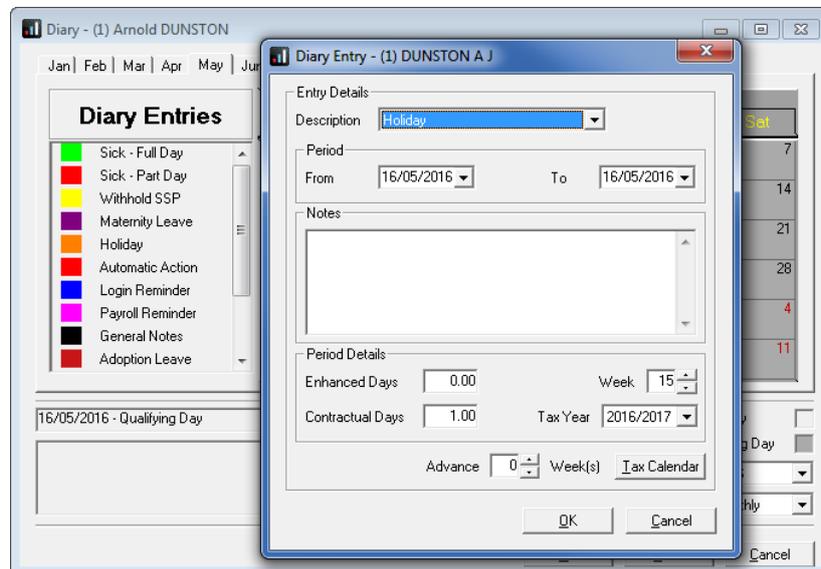- **Holiday Type** will show the holiday type e.g. Per Day, Per Hour as it does now, but for employees not on Accrual it will also display a Contractual and Enhanced row.
- The changes to the report will only happen if the IRIS Holiday Module is enabled in **Holiday Setup | Default Allowance**
- To install the report, from the **Reports** menu select **Library Selection** then **Summaries**. Double click on **Period Holiday Summary** then click **OK** and **Close**. To print it, from the **Reports** menu select **Print Summaries** and double click on **Period Holiday Summary**

Employee Absence Report

- The report shows Absence recorded in an employee's **Absence Diary**
- For employee holiday taken in Hours, Days or Weeks, the **Diary Days** and **Actual Value** columns will display the holiday taken including the total of both Enhanced and Contractual
- Changes to the report will only happen if the IRIS Holiday Module is enabled in **Holiday Setup | Default Allowance**
- To install the report, from the **Reports** menu select **Library Selection** then **Absence Reports**. Double click on **Employee Absence Listing** then click **OK** and **Close.** To print it, from the **Reports** menu select **Print Other Reports** and double click on **Employee Absence Listing**

Employee Holiday Details Report

- For employees whose holidays are in Hours, Days or Weeks, the **Duration** value will be the total of both enhanced and contractual holidays for that entry
- **Annual Holiday Entitlement** will show the **Total Entitlement** from **Employee Details**
- **Holidays Taken** will show the **Total Taken** from **Employee Details**
- Changes to the report will only happen if the IRIS Holiday Module is enabled in **Holiday Setup | Default Allowance**
- To install the report, from the **Reports** menu select **Library Selection** then **Employee Reports**. Double click on **Employee Holiday Details** then click **OK** and **Close**. To print it, from the **Reports** menu select **Print Employee Reports** and double click on **Employee Holiday Details**

Employee Holiday Entitlement Report

- A new report to show details of Holiday Entitlement
- Shows **Employee**, **Length of Service**, **Enhanced Holiday Entitlement**, **Enhanced Holiday Taken**, **Contractual Holiday Entitlement**, **Contractual Holiday Taken**, **Total Holiday Entitlement** and **Total Entitlement Remaining**
- The report will be blank if the IRIS Holiday Module is not enabled in **Holiday Setup | Default Allowance**
- To install the report, from the **Reports** menu select **Library Selection** then **Employee Reports**. Double click on **Employee Holiday Entitlement Report** then click **OK** and **Close**. To print it, from the **Reports** menu select **Print Employee Reports** and **Employee Holiday Entitlement Report**

Average Weekly Earnings Report

- The report shows the **Average Weekly Earnings** for employees up to the selected pay period and the periods used to calculate it
- **Total Earnings** and **Total Hours** include any pay elements ticked on the **Configure Average Weekly Earnings** screen
- Also shows **Contracted Hours per week, Contracted Days per week, Average Weekly Hours** and **Enhanced Holiday Rate**
- To install the report, from the **Reports** menu select **Library Selection** then **Summaries**. Double click on **Average Weekly Earnings** then click **OK** and **Close**. To print it, from the **Reports** menu select **Print Summaries** and double click on **Average Weekly Earnings**

Employee Record

- The report has been updated to include the new Enhanced Holiday information
- Changes to the report will only happen if the IRIS Holiday Module is enabled in **Holiday Setup | Default Allowance**
- To install the report, from the **Reports** menu select **Library Selection** then **Employee Reports**. Double click on **Employee Record** then click **OK** and **Close**. To print it, from the **Reports** menu select **Print Employee Reports** and double click on **Employee Record**

Glossary of Terms

Enhanced Holiday Rate – the holiday rate calculated using the IRIS Holiday Pay module

Contractual Rate – a standard rate of holiday pay not using the enhanced rate calculation

Regulation 13 Leave – the statutory entitlement of 4 weeks leave

Additional Leave – the extra 1.6 weeks leave UK employees are given for bank holidays

Contractual Leave – anything above the statutory leave

Guaranteed Overtime – Overtime the employer is obliged to offer and pay and the employee is obliged to work

Non-guaranteed Overtime – Overtime the employer is not obliged to offer and pay but the employee is obliged to work if it is offered

Voluntary Overtime – Overtime the employer is not obliged to offer or pay and if offered the employee is free to decline

Regular Hours – used when an employee works the same fixed hours each pay period

Irregular Hours – used when an employee works different hours or shifts each pay period

Offset Basic from Holiday Pay – This indicator is used specifically for employees where separate holiday pay isn't paid but you need to pay the extra enhanced rate. For example, a sales employee when taking holiday is just paid a salary as normal, however as they usually earn commission this needs to be included in the AWE to calculate the enhanced rate holiday. If you tick this box, the payroll software will calculate what the normal holiday would have been and only pay the extra amount.

AWE – Average Weekly Earnings

Additional Software and Services Available

IRIS AE Suite™

The IRIS AE Suite™ works seamlessly with all IRIS payrolls to easily manage auto enrolment. It will assess employees as part of your payroll run, deduct the necessary contributions, produce files in the right format for your pension provider* and generate the necessary employee communications.

IRIS OpenPayslips

Instantly publish electronic payslips to a secure portal which employees can access from their mobile phone, tablet or PC. IRIS OpenPayslips cuts payslip distribution time to zero and is included as standard with the IRIS AE Suite™.

IRIS Auto Enrolment Training Seminars

Choose from a range of IRIS training seminars to ensure you understand both auto enrolment legislation and how to implement it within your IRIS software.

Useful numbers

HMRC online service helpdesk	HMRC employer helpline
Tel: 0300 200 3600	Tel: 0300 200 3200
Fax: 0844 366 7828	Tel: 0300 200 3211 (new business)
Email: helpdesk@ir-efile.gov.uk	

Contact Sales (including stationery sales)

For IRIS Payrolls	For Earnie Payrolls
Tel: 0844 815 5700	Tel: 0844 815 5677
Email: sales@iris.co.uk	Email: earniesales@iris.co.uk

Contact support

Your Product	Phone	E-mail
IRIS PAYE-Master	0844 815 5661	payroll@iris.co.uk
IRIS Payroll Business	0844 815 5661	ipsupport@iris.co.uk
IRIS Bureau Payroll	0844 815 5661	ipsupport@iris.co.uk
IRIS Payroll Professional	0844 815 5671	payrollpro@iris.co.uk
IRIS GP Payroll	0844 815 5681	support@gppayroll.co.uk
IRIS GP Accounts	0844 815 5681	gpaccsupport@iris.co.uk
Earnie or Earnie IQ	0844 815 5671	support@earnie.co.uk