IRIS Holiday Pay Module Guide

IRIS Payroll Professional

April 2019

Contents

Introduction

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 |
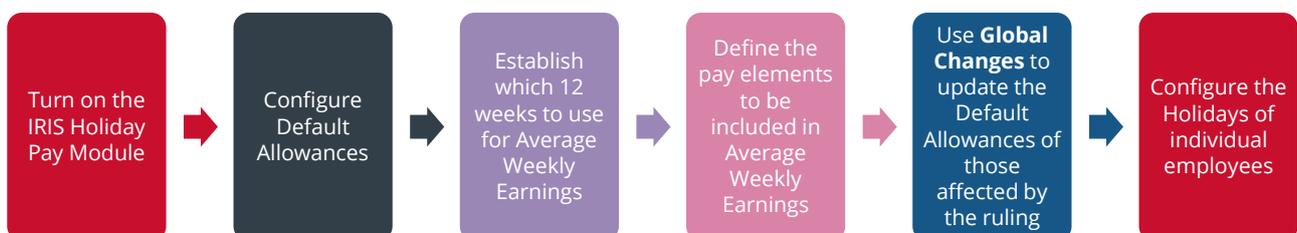
Turn on the IRIS Holiday Pay module

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 Entitlement	• The amount of Holiday **Hours**, **Days**, **Weeks**, **Months** each employee gets by default to cater for overtime/commission payments
Default Contractual Holiday Entitlement	• The amount of Holiday **Hours**, **Days**, **Weeks**, **Months** each employee gets by default as part of their contract of employment
Default Contractual 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 Advanced periods	• if ticked, the system will ignore any pay periods advanced using the Advance button in payroll run • where you pay holiday pay and advance the holiday period this will not create a payment record and will automatically be ignored
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.
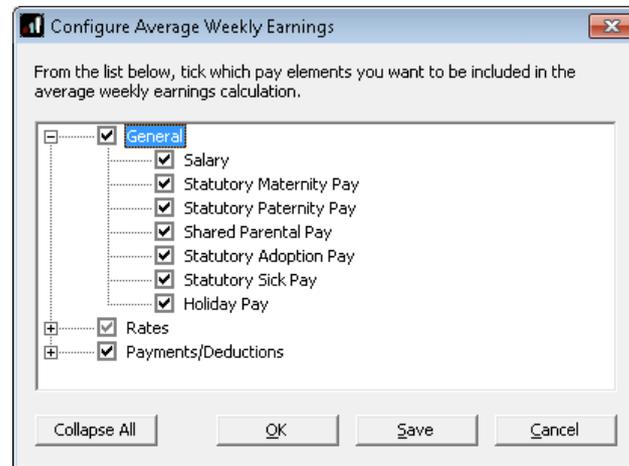
Use the tree view by clicking on the plus sign to reveal more pay elements. Tick/un-tick the boxes as required and click **OK**.

Payslips

If **Enable Enhanced Rate Holiday Pay** is ticked in **Company | Holiday Setup | Default Allowance**, when printing payslips, the holiday remaining value will be the **Total Remaining** value from **Employee Details | Salary** tab.

IRIS Holiday Module – Advanced Holiday

A pay record is created when **Holiday | Advance by**... is used in payroll run. This will be flagged as a **Holiday Advance** period.

If you have the Holiday Pay module, and have used the **Holiday | Advance by**... function the advanced periods will be recognised as 'relevant' when setting up the AWE calculation.

If **Exclude periods with Holiday Pay** is not selected in the **Holiday** setup, then a 'relevant' period will be:

- a payment record where pay has been processed
- a payment record where zero pay has been processed if **Exclude zero paid periods** is unticked in holiday setup
- the **Holiday Advance** Period

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. You are able to 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
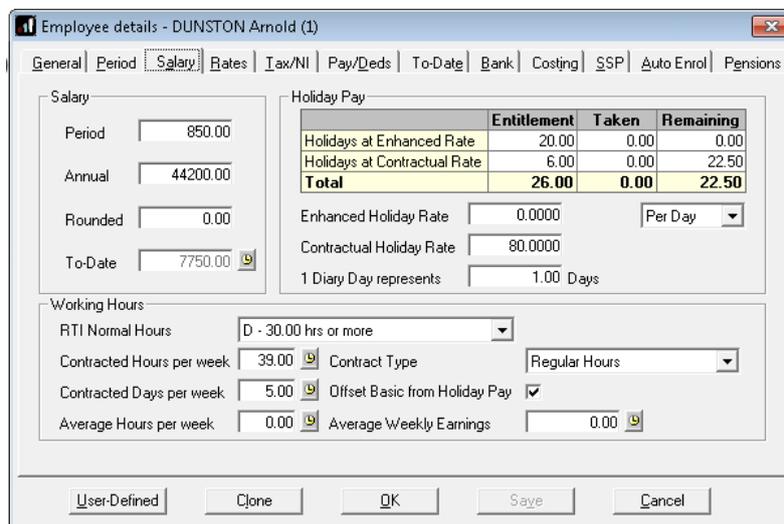
Holiday Pay

Enhanced Holiday 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 Holiday 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 this button to select from a list of your employees. Simply click each name to highlight them and click **OK** when you are finished. Their names will appear in the **Selection Criteria** section of the screen. Or you can type directly into the **Field**, **Condition** and **Detail** boxes to select by **Department** for example, or for more detailed selections, click on the **SQL** button

3. Once you are happy with your selection, click **OK**

4. You will now see the **Global Changes** screen. There are three tabs, **General**, **Rates** and **Pay/Deds**. The fields you need to change are on the **General** tab. For each field, you need to select an **Action** and enter a **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 **Value** column, if not, just type the **Value** you want directly into the grid

Field Description	Action	Value
Holiday Period	Overwrite	Enter the default basis on which Holiday Pay is paid, H for Hours, D for Days, W for Weeks, M for Months
Enhanced Rate Entitlement	Overwrite	Enter the default amount of Enhanced Holiday Hours/Days/Weeks/Months the employee is entitled to
Holiday Allowance	Overwrite	Enter the default amount of Contractual Holiday Hours/Days/Weeks/Months the employee is entitled to
Holiday Rate	Overwrite	Enter the default rate at which Contractual Holiday is paid

5. 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 per week
- Contracted Days per week
- Average Hours per week
- 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:

- Holiday Contractual Taken
- Holiday Enhanced Entitlement
- Holiday Enhanced Taken
- Holiday Enhanced Remaining
- Contracted Hours per week
- Contracted Days per week
- Contract Type
- Offset Basic from Holiday Pay
- Holiday Diary Value
- Holiday Period

Pay Holidays during Payroll Run

When you come to paying an employee who is entitled to enhanced holiday pay:

1. During the payroll run click on their **Holiday** button on the right 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 Holiday Rate**; if you want to alter these in payroll run you can, you will need to click the **Recalculate** button after making changes. 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:
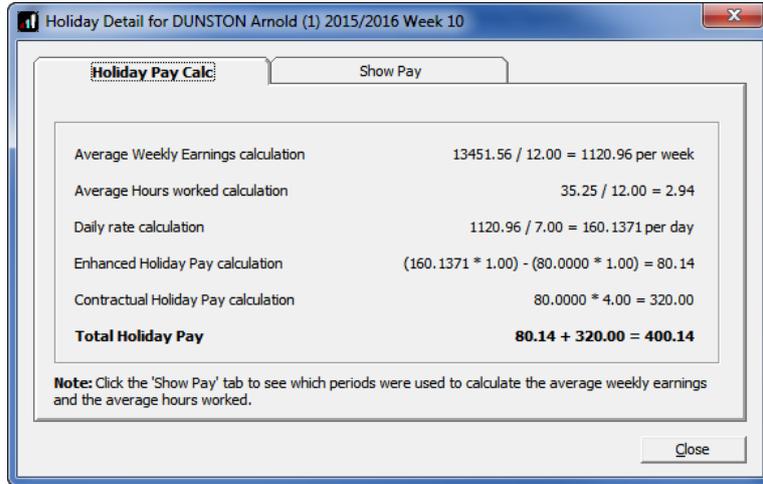
Holiday Detail for DUNSTON Arnold (1) 2015/2016 Week 10

Holiday Pay Calc | Show Pay

Average Weekly Earnings calculation	13451.56 / 12.00 = 1120.96 per week
Average Hours worked calculation	35.25 / 12.00 = 2.94
Daily rate calculation	1120.96 / 7.00 = 160.1371 per day
Enhanced Holiday Pay calculation	(160.1371 * 1.00) - (80.0000 * 1.00) = 80.14
Contractual Holiday Pay calculation	80.0000 * 4.00 = 320.00
Total Holiday Pay	**80.14 + 320.00 = 400.14**

Note: Click the 'Show Pay' tab to see which periods were used to calculate the average weekly earnings and the average hours worked.

Close

4. Click the **Show Pay** tab to view which weeks were used to calculate the AWE:
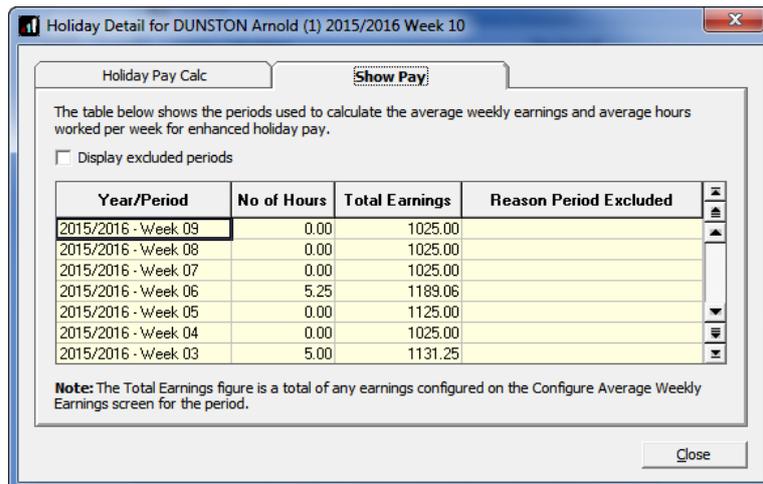
Holiday Detail for DUNSTON Arnold (1) 2015/2016 Week 10

Holiday Pay Calc | **Show Pay**

The table below shows the periods used to calculate the average weekly earnings and average hours worked per week for enhanced holiday pay.

☐ Display excluded periods

Year/Period	No of Hours	Total Earnings	Reason Period Excluded
2015/2016 - Week 09	0.00	1025.00	
2015/2016 - Week 08	0.00	1025.00	
2015/2016 - Week 07	0.00	1025.00	
2015/2016 - Week 06	5.25	1189.06	
2015/2016 - Week 05	0.00	1125.00	
2015/2016 - Week 04	0.00	1025.00	
2015/2016 - Week 03	5.00	1131.25	

Note: The Total Earnings figure is a total of any earnings configured on the Configure Average Weekly Earnings screen for the period.

Close

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.
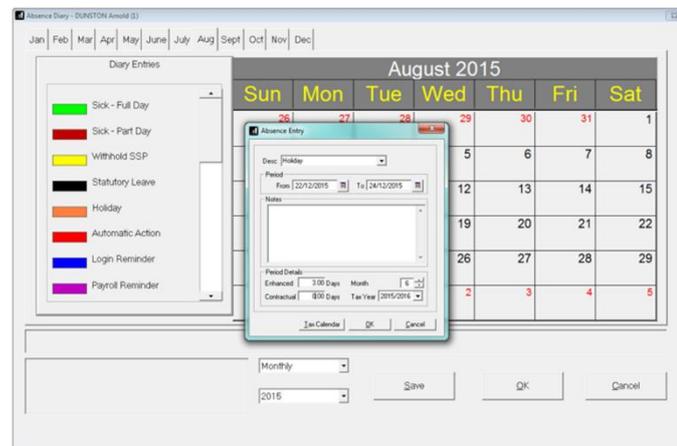
Reports

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

Period Holiday Summary

- The report shows **Holiday Taken** in a specified period, split between Contractual and Enhanced rates
- 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**
- **Holiday Taken** will show the amount of enhanced holidays taken and the amount of contractual holidays taken in the pay period

Employee Absence Listing

- The report shows Absence recorded in an employee's **Absence Diary**
- 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**
- Changes to the report will only happen if the IRIS Holiday Module is enabled in **Holiday Setup | Default Allowance**
- In the **Notes** column the holiday taken includes the total of both **Enhanced** and **Contractual** holiday. For example, an absence record for an employee has 10 hours **Enhanced** and 2 hours **Contractual** so the **Notes** column will display as **No. of Hours: 12.00**

Employee Holiday Entitlement Report

- The report shows **Length of Service**, **Enhanced Holiday Entitlement**, **Enhanced Holiday Taken**, **Contractual Holiday Entitlement**, **Contractual Holiday Taken**, **Total Holiday Entitlement**, **Total Entitlement Remaining**

- To install the report, from the **Reports** menu select **Library Selection** then **Miscellaneous**. Double click on **Employee Holiday Entitlement** then click **OK** and **Close.** To print it, from the **Reports** menu select **Print Other Reports** and double click on **Employee Holiday Entitlement**

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 Card

- 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 **Miscellaneous**. Double click on **Employee Record Card** then click **OK** and **Close**. To print it, from the **Reports** menu select **Print Other Reports** and double click on **Employee Record Card**

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 Fax: 0844 366 7828 Email: helpdesk@ir-efile.gov.uk	Tel: 0300 200 3200 Tel: 0300 200 3211 (new business)

Contact Sales (including stationery sales)

For IRIS Payrolls	For Earnie™ Payrolls
Tel: 0344 815 5700 Email: sales@iris.co.uk	Tel: 0344 815 5677 Email: earniesales@iris.co.uk

Contact support

Your Product	Phone	E-mail
IRIS PAYE-Master	0344 815 5661	payroll@iris.co.uk
IRIS Payroll Business	0344 815 5661	ipsupport@iris.co.uk
IRIS Bureau Payroll	0344 815 5661	ipsupport@iris.co.uk
IRIS Payroll Professional	0344 815 5671	payrollpro@iris.co.uk
IRIS GP Payroll	0344 815 5681	support@gppayroll.co.uk
IRIS GP Accounts	0344 815 5681	gpaccsupport@iris.co.uk
Earnie™ or Earnie™ IQ	0344 815 5671	support@earnie.co.uk