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Payroll Practitioners
Association

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Payroll Professionals

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NZPPA'S 1ST ANNUAL PAYROLL TECHNOLOGY SHOWCASE

The importance of pay transparency

with Shelley Costello, NZ Product Specialist at **KeyPay**



nz.keypay.com

What is pay transparency?

Pay transparency within payroll via context panels

- Pay transparency is different for everyone
- Not every payroll system has the same amount of transparency; some have **context panels** to show calculations such as PAYE & leave rates
 - Always spot check calculations!



Average Weekly Earnings	
Annual Earnings	\$49,038.47 from 1/11/2021
Payroll History	\$37,692.30 from 17/05/2021
Calculation	\$86,730.77 ÷ 52
Average Weekly Hours	<input type="checkbox"/> override 40
Average Weekly Earnings	\$1,667.90 ÷ 40
Hourly Rate	\$41.70

Ordinary Weekly Pay - 4 Weekly Formula	
Ordinary Earnings	\$7,846.16 from 18/04/2022
Calculation	\$7,846.16 ÷ 4
Average Weekly Hours	<input type="checkbox"/> override 40
Ordinary Weekly Pay	\$1,961.54 ÷ 40
Hourly Rate	\$49.04

Ordinary Weekly Pay - Agreed Rate	
Normal Gross Earnings Rate	\$49.04

PAYG 8%	
Gross Earnings	\$3,923.08 x 8%
PAYG 8%	\$313.85

Rate selection - ordinary weekly pay	\$49.04
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Lump Sum PAYE calculation ✕

KP Gross

▼ Calculate the grossed-up annual value of income \$66,000.00

▶ Step 1 - 4 weeks earnings up to date of lump sum payment \$5,000.00

Step 2 - Multiplied by 13

Step 3 - Grossed up annual earnings \$65,000.00

Step 4 - Lump sum amount + \$1,000.00 ⓘ

Step 5 - Grossed up annual value \$66,000.00 ⓘ

PAYE rate 30.00% ⓘ

▼ PAYE calculation for lump sum \$314.60

Total lump sum payments \$1,000.00

PAYE rate 30.00%

Total PAYE on lump sum \$314.60 ⓘ

This includes ACC levy of 1.46% on the full amount of the lump sum.

PAYE calculation on normal earnings \$180.36

Total PAYE \$494.96 ⓘ



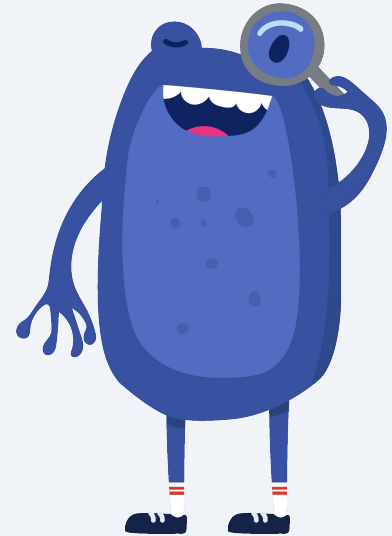
Report Date	2/10/2022			
Employee Leave Year Start	3/08/2022			
Annual Holiday Entitlement Earnings	7,400.00			
Alternative Holiday Earnings	0.00			
Other Leave Entitlement Earnings	0.00			
Historic gross earnings start date	0	period start of the earliest included historic gross earnings with a period ending greater than or equal to employee leave year start		
Historic gross earnings end date	0	period end of the most recent included historic gross earnings with a period ending earlier than or equal to the report date		
Historic gross earnings	0.00	sum of included historic gross earnings with a date paid between the employee leave year start and the report date		
First pay run start date	03/08/2022	period start of the earliest included pay run with a period ending greater than or equal to employee leave year start		
Last pay run end date	02/10/2022	period end of the most recent included pay run with a period ending earlier than or equal to the report date		
Pay run gross earnings	7,600.00	sum of included pay runs with a period ending between the employee leave year start and the report date plus additional termination earnings		
Average weekly gross	872.13	pay run earnings / number of weeks covered		
Weeks of entered earnings	8.71	the number of weeks between the earliest included pay run and the latest included pay run		
Calculated entered gross earnings	7,600.00	(average weekly gross * number of weeks from leave year start to last recorded earnings in report period) + historic gross earnings		
Weeks to project	0.00	number of weeks between the last entered earnings and the report date		
Projection data start date	04/10/2021	period start of the earliest entered earnings in the 12 month period up to the end of the last included pay run		
Projection data end date	02/10/2022	period end of the latest entered earnings in the 12 month period up to the end of the last included pay run		
Projection data gross earnings	37,000.00	sum of entered earnings in the 12 month period up to the end of the last included pay run		
Weeks of projection data	52.00	weeks covered by entered earnings in the 12 month period up to the end of the last included pay run		
Projection data average weekly gross earnings	711.54	sum of entered earnings in the 12 month period up to the end of the last included pay run / weeks covered by those pay runs		
Projected earnings	0.00	average weekly gross of entered earnings in the 12 month period up to the end of the last pay run * number of weeks covered by those pay runs		
Total gross	15,000.00	leave entitlement earnings + alternative holiday earnings + calculated entered gross earnings + projected earnings		
8%	1,200.00			

Where can payrollers brush up on their knowledge of leave calculations?

MBIE

NZPPA Payroll Practice Guide

IRD



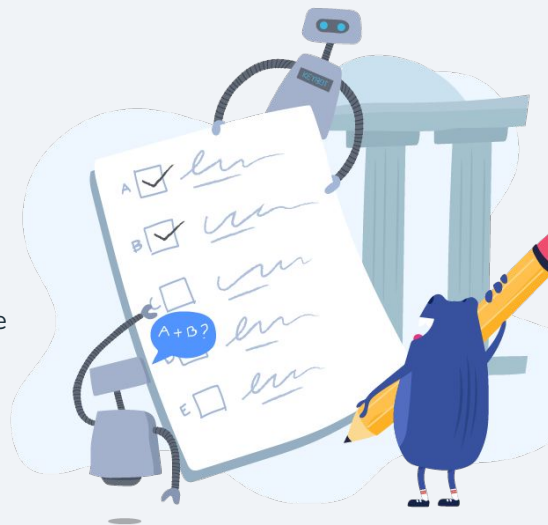
Cross-checking payroll calculations

Why should you cross-check?

- For peace of mind and when assisting employee enquiries
- Not all payroll software have experienced payrollers behind the scenes
 - Take the time to **manually check calculations** every now and then!
- Knowing how your system works will help you make changes to an employee's masterfile
- Correct data in = correct data out



TOP TIP: Payroll is NOT a set-and-forget system!

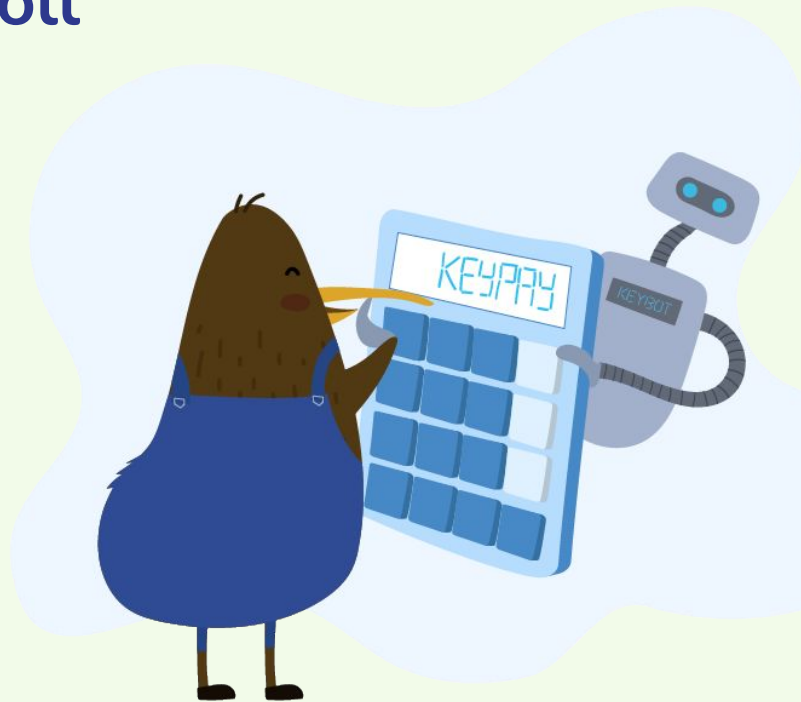


Why is it important for payroll calculations to be correct?

- To avoid liability over costly errors
- For client and employee satisfaction, **and** retention
- To minimise the risk of unnecessary payroll audits

How can payroll systems be transparent?

- 1 Context panels to show calculations
- 2 Warnings
- 3 Payslips and leave balance visibility





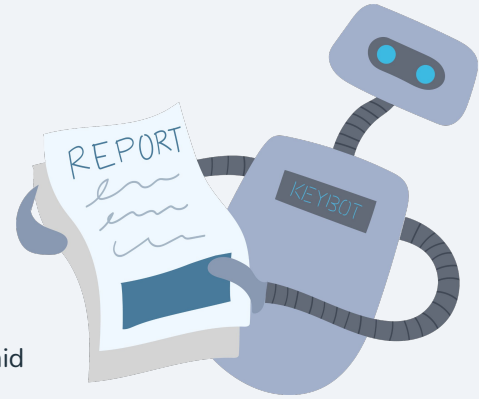
Payslips and pay transparency

What balances should you allow employees to see?

- Consider KiwiSaver and annual leave, among others
- I personally believe that annual leave accrual shouldn't be displayed
 - As employees have no entitlement to their accrued leave

Wages and Earnings				
Salary	24.00000	37.50000	\$900.00	\$21,189.65
Public holiday not worked	8.00000	37.50000	\$300.00	\$300.00
Annual Holidays Taken				\$1,886.48
Public holiday worked				\$450.00
			\$1,200.00	\$23,826.13
Taxes				
PAYE			\$230.00	\$4,624.40
			\$230.00	\$4,624.40
Post Tax Deductions				
IRD Arrears			\$240.00	\$4,071.23
SPCA Payroll giving			\$30.00	\$420.00
			\$270.00	\$4,491.23
Kiwisaver Contributions				
Employee Contribution - 0%			\$0.00	\$104.10
Employer Contribution - 0%			\$0.00	\$72.90
ESCT Contribution			\$0.00	\$31.20
			\$0.00	\$208.20
Bank Payments				
		Account	This Pay	
SPCA	111111 - *****1111		\$30.00	
IRD Arrears	030049 - *****0027		\$240.00	
Bobby Lashley	389000 - *****5600		\$730.00	
Leave Details				
		Accrued	Taken	Balance
Alternative Holiday Leave		0 days	0 days	1 days
Employee Id: 4734123				
Annual Holidays		N/A	0 days	0 days
Annual Holidays Accrued		13.04 days	5.6 days	7.44 days
Notes: The accrued leave is an estimate only and is not an entitlement until your anniversary date is reached. On termination, accrued leave is paid out as a percentage of gross earnings since your last anniversary.				

Record keeping and audit



- Pay rates, hours worked, leave entitlements, leave taken, dates and amounts paid need to be kept on file
- Payroll software gives you peace of mind over reporting on these records
- Pay transparency makes audit time easier!
- You need to be able to show how calculations were reached



TOP TIP: In NZ, employee records need to be kept for at least 7 years

Thank you for listening!
Any questions?

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