



CRA BULLETIN

Issue 28 – 30 May 2006

Signed: _____ Dated: _____

Four Weeks Annual Leave

You are reminded that employees will be entitled to receive four weeks annual leave. This has been increased from three weeks as at 1st April 2007. This increases the annual leave entitlement from 6% to 8% and from 1st April this year - depending on each of your employee's leave entitlement due dates - you will need to be building this extra 2% increase into your budgets.

Please amend your staff's employment agreements, ensuring that each staff member initial the changes made to the agreement.

Employees are not entitled to the extra one week until after April 2007, but remember that when their next leave entitlement becomes due, you will be required to have funding to cover all your staff's holiday pay (totalling 4 weeks each). Payroll systems will also need to be adjusted to manage these changes.

Here's a couple of scenarios:

- an employee who has their annual leave entitlement becoming due on 15th April each year, will have 4 weeks annual leave available to them on 15th April 2007.
- an employee who has their leave entitlement due date of 26th November, will not become entitled to four weeks holiday until 26th November 2007.

What happens if an employee leaves?

If an employee leaves your employment before 1st April 2007, annual leave entitlements/final pay will be calculated in the same way that you do it now.

However, an employee who leaves after 1st April 2007 will be entitled to payment for any annual holidays that they have previously accrued AND payment at 8% of gross earnings for the period between the last time they became entitled to annual holidays and their finishing date. Here is another example:

An employee leaves your employment on 12th May 2007. They last became entitled to annual holidays on 12th November 2006. How do you calculate their final pay?

- This employee would have become entitled to three weeks annual holidays on 12th November 2006. They will receive payment for any outstanding annual leave that they still have owing on 12th May 2007 AND
- Payment at 8% of gross earnings for the period from 12th November 2006 to 12th May 2007.

If you have employees enjoying more than 3 weeks annual leave now, the decision on whether to increase their entitlement (from say 4 to 5 weeks) is a matter for negotiation.

On the subject of holiday pay, here are another couple of frequently asked questions

When should annual holiday pay be paid?

Employees are entitled to receive their pay for annual holidays before the holiday commences, unless the employer and the employee agree that the normal pay cycle will continue undisturbed by the time off work.

Can you force employees to take annual leave?

You need to give them at least 14 days notice (for the sake of good relations make it more).

Can you pay holiday pay in an employee's wages?

As a rule, no. The only exceptions are:

1. Where an employee is on a genuine fixed term agreement of less than 12 months
2. Employees with a work pattern that is intermittent or irregular (genuine casual work)

In both these cases it is very important that the holiday pay be specified in the agreement or on the payslip.

What's new in summary?

- Annual leave becomes due each year on the anniversary of the employee's start date.
- The minimum entitlement to annual leave increases to 4 weeks from the anniversary date after April 1st 2007.
- If an employee leaves before April 1st 2007, all leave is paid at 6%.
- If an employee leaves after April 1st 2007, it is only the leave accrued after their anniversary date falling after April 1st 2006 that is paid out at 8%. Leave accrued before that date is paid out at 6%.

This is a change which impacts now. As with any other significant change, you should update your shop rates to include its effect.