

Holiday Pay

In the situation where holiday pay is being paid in addition to a standard pay, it may be that multiple weeks of pay is being paid in a single pay run. This has implications for calculating both the correct amount of free pay for PAYE tax purposes and National Insurance deductions.

The system provides a facility to deal with this. Within the Payroll/Tax details of an employee, a **Payroll Advance Periods** parameter can be set.

PAYROLL → SET EMPLOYEE → [SET](#) relevant employee → PAYROLL → PAYROLL/TAX DETAILS

Select the number of **Payroll Advance Periods** (Weeks in a Weekly Payroll, Months in a monthly payroll) over which pay will be spread to calculate National Insurance Charges, and the PAYE pay period for free pay purposes.

For example: If in pay week 9, on top of the normal weeks pay, two weeks holiday pay is paid. Set the holiday advance period to 2, PAYE will be calculated as if the pay week is 11, and National Insurance Charge is calculated for each of the three pay weeks on the basis of 1/3 of the gross pay. If week1/month1 basis is set then PAYE is calculated for each week on the basis of 1/3 of the gross pay.

When the payroll is finalised, the holiday advance period is reset to zero, but the employee's payroll status is set to **hold**, so that the employee is not processed again in the next payroll run whilst on holiday. The payroll status is manually set back to **active** when appropriate.

If the number of payroll advance periods takes the pay period into a 53 or more pay week. The element of pay falling in the extra weeks will be subjected to week1month1 basis for PAYE tax purposes.