

Sage WageEasy

Paid Parental Leave

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Introduction

On 14 July 2010, legislation relating to Australia's Paid Parental Leave was passed by the Australian Government. The scheme began on 1 January 2011 and there are phasing in of employer obligations over time. Employers are generally required to provide Paid Parental Leave to long term employees after 1 July 2011.

Briefly outlines the changes and discusses where, and/or how items should be setup in Sage WageEasy.

Brief Overview - Paid Parental Leave Scheme

The scheme is an Australian Government funded initiative. It provides for a legal entitlement of 18 weeks paid parental leave at the minimum wage rate (current from 1 July 2016 - \$17.70 per hour or \$672.70 per week based on a 38 hour week). This applies to all employees who are:

- Australian based; and have
- Served a period of 12 months continuous service prior to the scheme's commencement date.

Parental Leave is paid in addition to any entitlement the employee may already have as a result of an existing employment contract. Employees with more than one workplace can only claim payments from one employer. Payments will be made to the employer and passed on to the employee. The payments can be made to the employer in two ways:

1. In accordance with the employees pay cycle; or
2. As three instalments.

A claim must be lodged with the Family Assistance Office by parents up to 3 months prior to the birth or adoption date of the child. The Family Assistance Office will advise the employer of any claim lodged by an employee and will request additional information from the employer including:

- Employer's bank account details; and
- Employee's pay cycle.

To speed up the process when employees lodge a claim, employers can choose to "Opt in" early and supply details direct to the Family Assistance Office.

<http://www.humanservices.gov.au/customer/services/centrelink/parental-leave-pay>

Payments are taxable however superannuation, payroll tax and workers compensation levies will not be incurred. The payment is part of the employee's standard gross yearly earnings and will not appear separately on the ATO Payment Summary. **Paid Parental Leave does not attract accrual of Annual Leave and Sick Leave however Long Service Leave accrual may vary depending on the State legislation and Award conditions, award based leave entitlements paid at the same time remain unaffected.** For taxing purposes during the payment period, if an employee receives other leave payments the amounts will be combined.

Payments will be made to the employer in advance, and distributed by the employer to the employee in arrears. Employers will be provided with a notification stating the start date, amount and the end date of payments. The payments cannot exceed 18 weeks and must not begin prior to the birth of the child. They can, however, start any time up to 34 weeks after the birth of the child. Payments can be salary sacrificed by employees and are transferrable to a partner if the employee returns to work and the partner remains at home with the child.

Employees cannot work whilst receiving payments, however they are permitted up to 10 days of workplace contact to "keep in touch". This can be for 1 or more hours on each day. If an employee returns to work, payments must cease and the Family Assistance Office should be contacted to arrange a refund from the appropriate party.

Further details can be found at www.familyassist.gov.au.

The Paid Parental Leave Payment is different to Dad and Partner Pay. Dad and Partner Pay also falls under the Australian Government Paid Parental Leave Scheme, however, this payment is wholly administrated by the Australian Government. No payments need to be made through payroll and your employee must be on unpaid leave while receiving the Dad and Partner Payment from the Australian Government. Further information on Dad and Partner Pay can be found at <http://www.humanservices.gov.au/customer/services/centrelink/dad-and-partner-pay>

Processing within Sage WageEasy

Parental Leave is not a leave entitlement, but rather complements any obligation an employer may have to their employee under their existing industrial instrument. Due to the specific treatment of payment calculations in relation to tax, superannuation, leave accruals, payroll tax and WorkCover levy, two setup options are available in Sage WageEasy. You should select the option that best suits your overall practices. The following items should be considered before selecting your options:

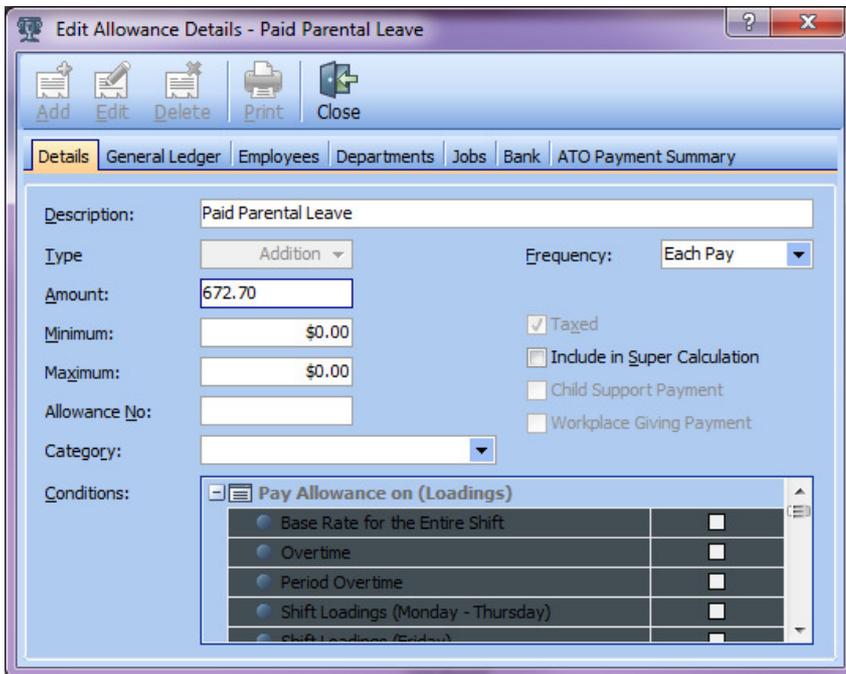
- If the employee is normally linked to a pre-defined timesheet, you should remove this link from **Employment | Timesheet** ;
- If the employee has any standard allowances that are normally paid as part of their work (eg Uniform Allowance) these may not need to be paid whilst the employee is receiving Paid Parental Leave, so make these inactive at **Payments | Allowance** ;
- Check with the employee to see if any regular disbursements or tax adjustments need to be applied to the payment;
- As these payments are excluded from calculations relating to liability for payroll tax and WorkCover levies ensure that the necessary changes are made to your existing practices;
- Payments made as Paid Parental Leave are excluded from superannuation entitlements;

Employees do not accrue Annual Leave and Sick Leave however Long Service Leave accrual may vary depending on the State legislation and Award conditions whilst receiving Paid Parental Leave;

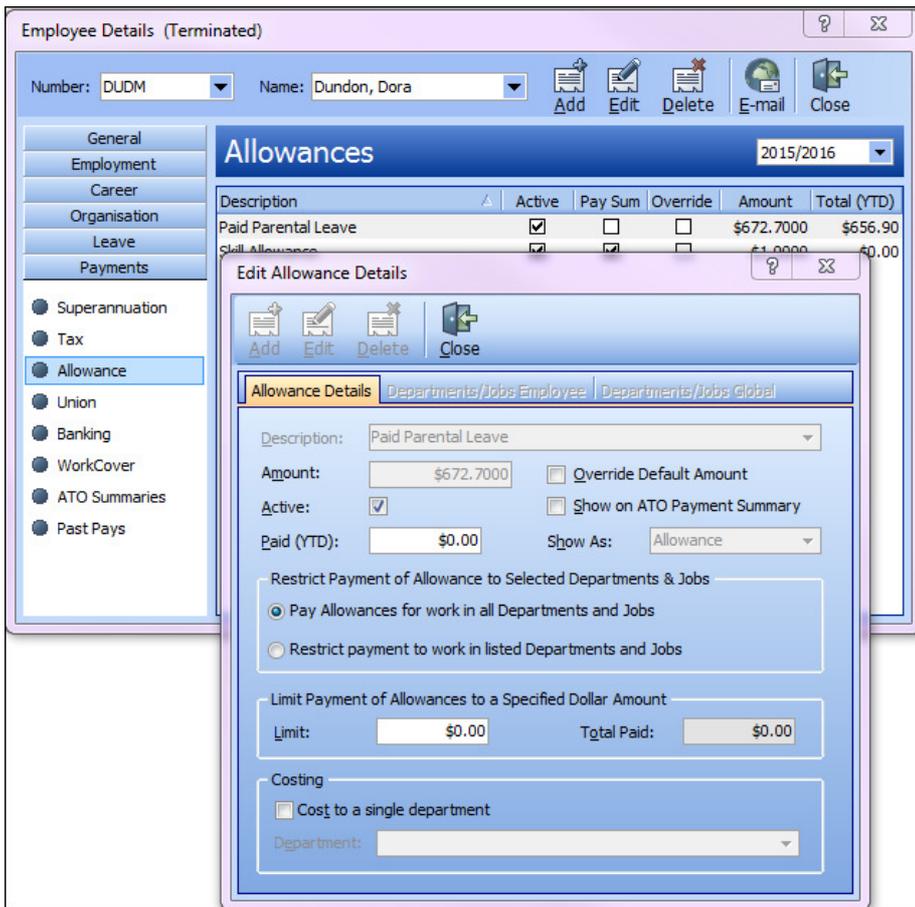
- If these payments need to be posted to a specific account in your General Ledger system, make sure this is taken into account in your setup within Sage WageEasy.
- Confirm if payments are to appear against the employee’s default departments for transfer to the general ledger and display on Departmental reports.

Option 1 - Allowance

Setup an allowance in Sage WageEasy that is taxed and does not include superannuation:



Link this payment in the employee file under **Payments | Allowances**:



This will be displayed on the payslip as follows:

Dundon, Dora (DUDM)		Great Company Australia		
Award: Part Time HIGA (Hospitality Industry General Award 2010) Category: Part Time TFN: 85296741		Wage Easy Payroll Software		
30 May 2016 to 12 Jun 2016	Quantity	Rate	Hours	Amount
Additions/Deductions				
Paid Parental Leave	1.0000	\$672.7000		\$672.70
Taxable Gross			0:00	\$672.70
Tax				\$0.00
Net				\$672.70
Commonwealth Bank Of Australia (Dora Dunoon)				\$672.70

Other considerations when using this option:

If the employee is only receiving the Paid Parental Leave payment (i.e. is not concurrently receiving any other leave entitlements) consideration should be given to halting the accrual of annual, sick leave entitlements, Long Service Leave accrual may vary depending on the State legislation and Award conditions. This can be achieved through placing the employee on a newly created Maternity Leave award.

- As allowances are reported separately in Sage WageEasy's General Ledger export, ensure these are identified and set up accordingly.
- If you use any existing user defined reports or templates to calculate payroll tax and/or your WorkCover levy you may need to make amendments to these reports.
- Setup a limit within the employee's file to cap payments at 18 * \$641.05. However, take into consideration this value may increase (in line with adjustments to the minimum wage) if the employee is receiving payments post 1 July.
- Set a reminder within the employee file to appear on the **To Do List** to notify you of the final payment date.

Option 2 – Leave

Setup a new award from Awards | Add and add a Parental leave type within this new award/s. It is important to move those employees who are receiving Parental leave onto a newly created award otherwise Parental Leave will be paid to all employees on the existing award.

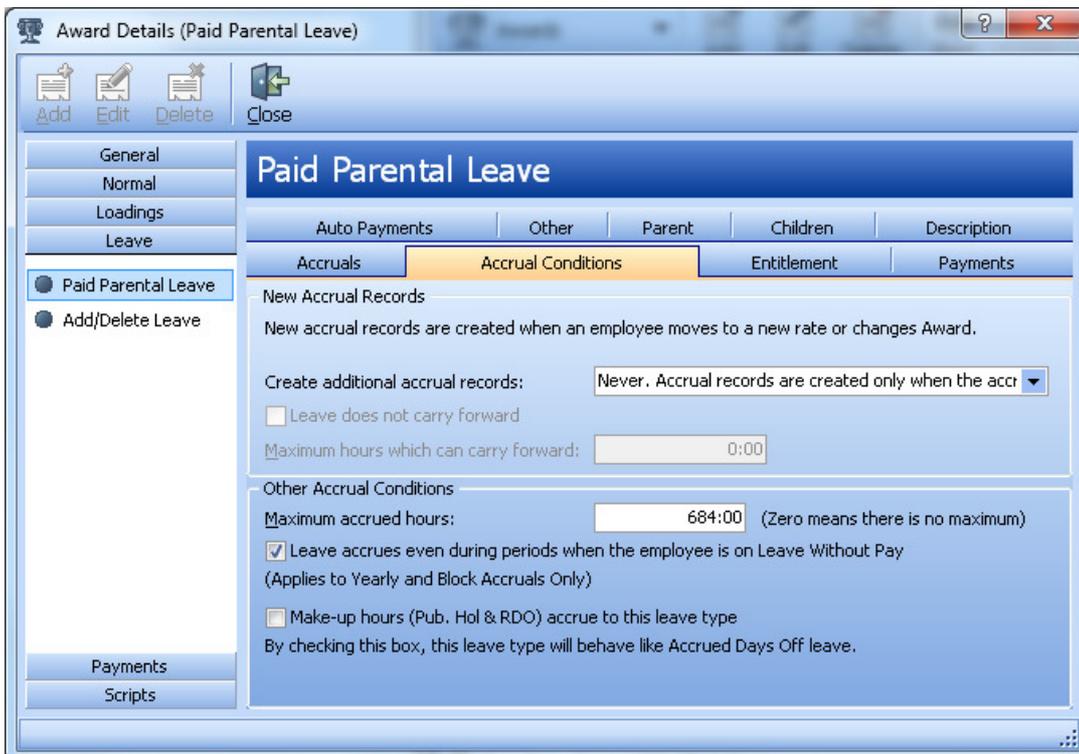
NB: An existing award can be copied as part of the new award setup process

Once the new award is created, add a new leave type for Parental Leave

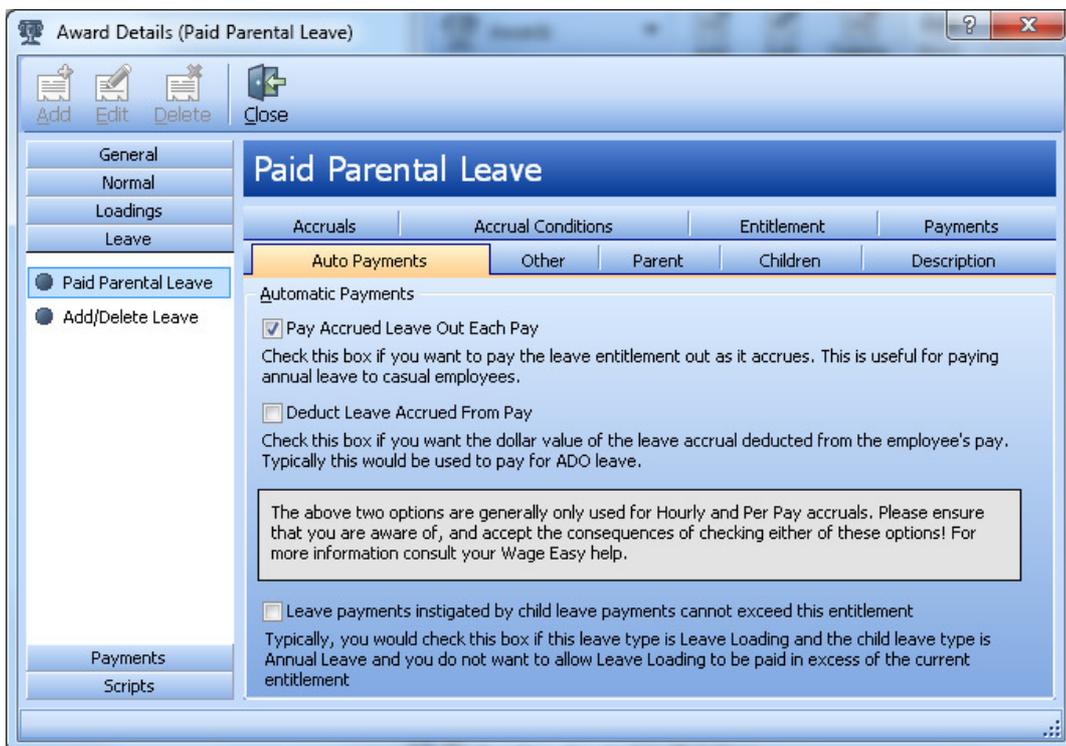
Setup the accrual to be per pay:



Set maximum accrued hours to 684 (38 * 18 weeks), and activate the 'Leave accrues during periods of Leave without Pay' option:



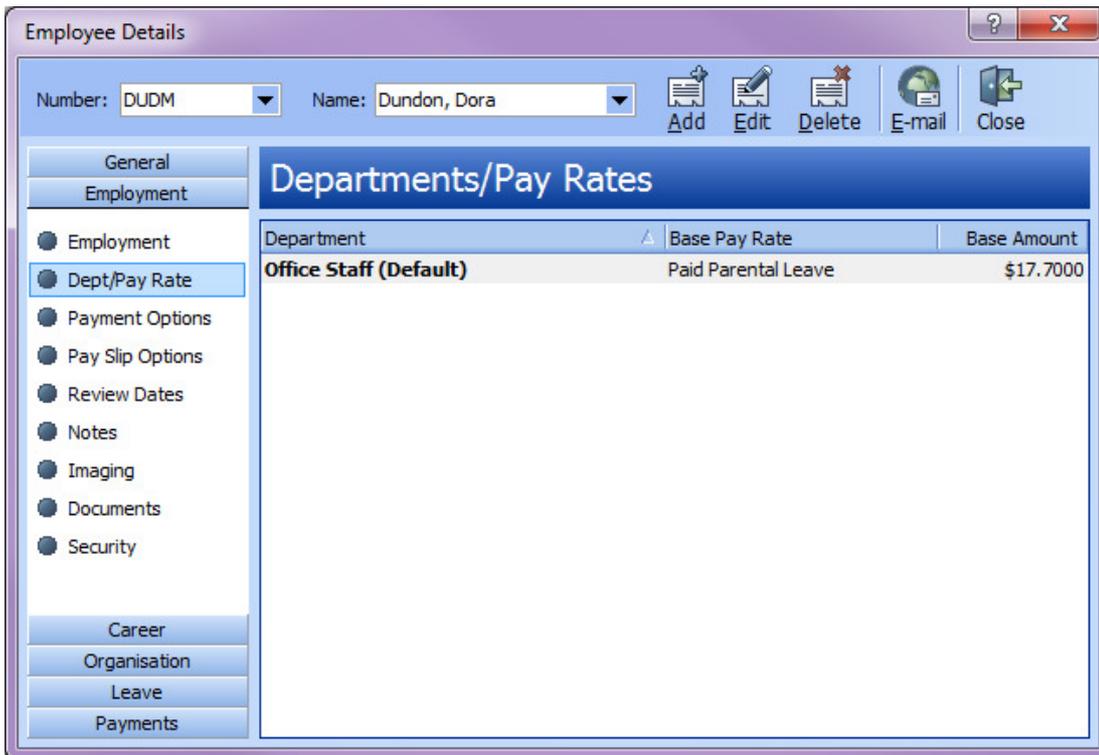
Set to pay accrued leave out each pay:



This will be displayed on the payslips as follows:

Leave				
Paid Parental Leave	6/5/2016 - 12/5/2016	\$17.7000	38:00	\$672.70
Taxable Gross			38:00	\$672.70
Tax				\$0.00
Net				\$672.70
Commonwealth Bank Of Australia (Dora Dunoon)				\$672.70

When using this method, you need to create and link the employee to a new pay rate of \$17.70 per hour within the employee file under **Employment | Department Pay Rate**:



Other considerations when using this option:

If the employee is only receiving the Paid Parental Leave payment (i.e. is not concurrently receiving any other leave entitlements) consideration should be given to halting the accrual of annual, sick leave entitlements, Long Service Leave accrual may vary depending on the State legislation and Award conditions. This can be achieved through placing the employee on a newly created Maternity Leave award.

- Each leave type is setup separately for inclusion in Sage WageEasy's General Ledger journal export, so ensure you have set up the GL codes appropriately.
- If you use any existing user defined reports or templates to calculate payroll tax and/or your WorkCover levy you may need to make amendments to these reports.
- Set a reminder within the employee file to appear on the **To Do List** to notify of final payment date.

Conclusion

Under the new scheme, Australian employers are required to make payments to all eligible employees. In preparation for the legislative changes, it is important for employers to consider how best to administer the payments. To avoid payment delays, consider registering details early with the Family Assistance Office and consider applying for an AusKey so you can use electronic media for processing and receiving payments and information from the Family Assistance Office.

Currently there are no changes being made to Sage WageEasy software to implement the Paid Parental Leave scheme. For any feedback or additional information, please contact the support team at Sage WageEasy on 1300 924 332 or email support.wageeasy.au@sage.com