

Last pay for terminating employee

This article provides steps on how to process the last pay for an employee.

Pre-requisites

The following pre-requisites are broken into two sections – LawMaster setup and manual calculations.

Parameter Setup

You will need to ensure that you have created the following parameters to allow you to process the unused leave proportion for the final pay.

Payroll Leave Types

Create a new leave type for Unused Annual leave as e.g. LU:

Parameters > Set Parameters > Payroll > Payroll Leave Types (LT).

Leave Type	LU
Leave Description	Unused Annual Leave
Accrual Days	0
Months	0
Days Off In Lieu	0
Leave Application	<input type="checkbox"/>
Classification List	ALL
Unpaid ?	<input type="checkbox"/>
Visible ?	<input checked="" type="checkbox"/>

OK Cancel Apply

Create the subsequent Payroll Payment and Deduction Codes parameter for Unused Annual Leave e.g. HLU:

Parameters > Set Parameters > Payroll > Payroll Payment and Deduction Codes (PC).

Untick Normal Pay so that superannuation is not calculated and untick After Tax so that tax is calculated on the unused annual leave. (Unused leave is not considered ordinary times earnings, therefore no superannuation is calculated on this figure).

Payroll Code

Description

Normal Pay?

Scale Factor

Flat Rate/Amount

After Tax?

Exclude from EGS

Exclude on PAYG

Payee Id

Deduction Code

Super Fund Manager

Visible?

OK Cancel

Manual Calculations

Additional Annual Leave to Last Day of Employment:

You will need to ensure that you have calculated annual leave to the last day of employment.

To work out how many annual leave hours are accrued per week:

Item	Description	Result
A	Hours per day e.g. 7.5, 7.6 or 8	7.6
B	Hours per week e.g. 37.5, 38 or 40 (A * 5 days)	38
C	Leave hours per year (20 days * A)	152
D	Hours accrued per hour (C / 52 / B)	0.0769
	i.e. 38-hour week you accrue 2.92 hours (D * B)	

Example: Total additional hours to accrue for unused annual leave to finish date where you need to accrue for an additional 45.6 hours for the fortnight (6 days * 7.6 hours per day).

Total hours to accrue will be 45.6 hours x 0.0769 = 3.51 hours.

Once you have calculated the additional leave, you will need to add this to any other unused annual leave for that employee on their timesheet when processing the pays (Annual leave accrued shows as a negative amount in LawMaster).

Tax on Unused Annual Leave

On the new Unused Annual Leave code created, the Normal field is unticked, this means that tax will be calculated at a higher rate in LawMaster. You will need to speak with your Accountant to calculate the tax correctly on the final pay. Also refer to the below link:

<https://www.ato.gov.au/Rates/Schedule-7---Tax-table-for-unused-leave-payments-on-termination-of-employment/>

Payroll Processing

If the final pay is part of normal payroll processing, generate the pays as you normally would and make any changes as necessary to other employees, otherwise you can manually add a timesheet entry for the leaving employee.

Payroll and Personnel > Payroll Processing > Input and Review Timesheets. Select Bank > right click > Add Timesheet Entry.

Add any ordinary hours that you are paying, Add Another Pay Item for Unused Annual Leave. This will include what leave was already unused and the additional accrued leave calculated above.

The screenshot shows the 'Timesheet - Pay item input' dialog box. The main dialog has fields for Bank (11), Pay No (1044), Employee (1KMT), and Date (09/09/2020). An 'Add Pay Item' sub-dialog is open, showing details for a new pay item: Bank No (11), Pay No (1044), GL Account (1112025 - Staff Salaries), Pay Code (HLU - UNUSED ANNUAL LEAVE), Rate (\$44.03), Units (125.30), Gross Amount (\$5,516.50), Date From (09/09/2020), Date To (09/09/2020), and Remarks (Unused Leave on Resignation). Buttons for OK, Cancel, and Apply are visible at the bottom of the sub-dialog.

Note: You will need to select **Modify Header** to override the tax amount that was calculated manually. Include all tax to be deducted for this pay run including tax on any ordinary hours paid.

The screenshot shows the 'Timesheet - Pay item input' dialog box with a table of pay items. The 'Modify Header' button is circled in red. The table has columns for Bank No, Pay No, Pay Code, GL Account, Units, and Rate. The total rate is 170.90.

Bank No	Pay No	Pay Code	GL Account	Units	Rate
11	1044	HO	1112025		45.60
11	1044	HLU	1112025		125.30
					170.90

Review Timesheet - Modify Header

Bank: 11 Pay No: 1044

Employee: 1KMT

Branch/Dept:

Date: 30/06/2020

Pay Method: Bank Deposit Weeks: 2 Cheque No: 0

Override Tax? Tax: \$2,000.00

Pay From: 22/06/2020 To: 30/06/2020

OK Cancel

Process the balance of pays as per normal.

Update Employee Record

Once you have audit the pays, and prior to printing pay advices, you will need to go back to the Employee's master payroll record to enter a leave journal to zero out any annual leave and sick leave. By doing this prior to issuing a pay slip the leave hours will show as zero.

To the Employee's master payroll record > Leave Tab.

Employee: 1KMT Kurt Thomas

Previous Next Details Bring-ups History Super **Leave** Earnings Folios Events Attributes Templates Skills Fees Time

Name

First Names: Kurt

Last Name: Thomas

Employee Photograph

Right click > Add. Enter a leave transaction (journal) for Annual Leave (LA) and Personal Leave (LS) to zero out the hours. You will see that the annual leave has accrued to what you have paid out at unused annual leave.

Employee: 1KMT Kurt Thomas

Previous Next Details Bring-ups History Super Leave Earnings Folios

No. of Hits 28

Leave Type: All Date: 01/01/1900 Search

Leave Details

Leave Type	Leave/Credi...	Transaction...	Hours	Details	Balance of L...	Payroll run refer...	Audit No	Leave
LA	30/06/2004	C	-5.00	Balance owing	-5.00			
LS	30/06/2004	C	-2.00	Balance Owing	-2.00			
LA	30/09/2004	C	-35.29	Leave credited to 30/09/2004	-40.29			
LS	30/09/2004	C	-17.64	Leave credited to 30/09/2004	-19.64			
LA	30/06/2013	C	-11.67	Leave credited to 30/06/2013	-51.95	11-150	188	
LS	30/06/2013	C	-5	31/07/2013				
LA	31/07/2013	C	-11	Leave credited to 31/07/2013				
LS	31/07/2013	C	-5.83	Leave credited to 31/07/2013				
LA	28/10/2016	C	-11.67	Leave credited to 28/10/2016				
				Leave credited to				

Leave Balances

Leave Type	Leave Description	Balance (hrs)	Balance (days)	Previous
LA	Annual Leave	-252.56	-33.23	
LL	Long Service Lea...	0.00	0.00	
LO	Other Leave	0.00	0.00	
LS	Sick Leave	-116.80	-15.37	

Master Details Leave

Context Menu: Add Ctrl+A Summary

Leave Journal Input

Employee No: 1KMT Kurt Thomas

Leave Type: LA Annual Leave

Date: 07/01/2022

Transaction Type: Taken

Hours: 252.56 (* for credit)

Details: zero out on resignation

Updated: 7/01/2022 3:55:55 PM By: LMS

OK Cancel Apply

Once all STP reporting has been done, you can then terminate the Employee in payroll and LawMaster Security.

Related articles

- [Last pay for terminating employee](#)
- [Eligible Termination Payment - ETP](#)
- [Employee Termination](#)