

Please Note: While we try to provide you with the solution you need, we can't promise that the information set out below is totally error free or will necessarily resolve any problem you may have."

How to process Leave Without Pay in QuickBooks for a salaried employee

The Leave items in QuickBooks will split the weekly salary amount between the salary and leave items, then apportion the amount of pay according to the hours allocated to each item. The total salary will add up to the usual salary for that period.

The method does not allow for the proper handling of Leave Without Pay (LWOP) for salaried employees as, when a LWOP item is added, a dollar amount will always be assigned to the LWOP. A deduction item must be entered to remove the amount of pay assigned to the LWOP item.

This paper will outline a preferred method and an alternative method to allow you to carry out this adjustment and ensure reports and payment summaries are correctly adjusted.

What you will need:

1. Available "Other" Leave category (OTH1 or OTH2);
Note: If you do not have an Other leave category available, or you do not want to assign an other leave category for LWOP, you will need to follow the Alternate method.
2. Leave Without Pay leave payroll item with the following definitions:

Payroll Item Type:	Wage
Wages (1 st screen)	Annual Salary
Wages (2 nd screen)	Other 1; or, Other 2
Name used...:	LWOP
Expense Account:	Payroll Expenses:Sal&Wages:LWOP
Tax Tracking Type:	Gross Payments
Taxes:	PAYG Tax only
Inclusions:	unticked
3. Exclude the LWOP payroll item from Super:
Edit the Super Item and in the Include payments in contribution screen (the last screen), untick your Leave without Pay item.
4. Create a deduction item to offset the amount QuickBooks will calculate for LWOP:

Payroll Item Type:	Deduction
Name used...:	LWOP offset
Agency... - Liability Account:	Payroll Expenses:Sal&Wages:LWOP
Tax Tracking Type:	Gross Payments;

Taxes: PAYG Tax only
 Calculate based on... Neither
 Default rate and limit: all boxes blank

Please Note that the liability account for this Deduction is the same as the Expense Account for the LWOP item.

Example details:

Normal Pay: \$1,000 per week / 38hrs;
 Total Leave taken: 2 days – 15hrs 12mins
 Available Personal Leave: 7hrs 41mins
 Leave without Pay: 7hrs 31mins

Processing Leave without Pay:

1. On the Review or change Payments screen, under Earnings, enter the leave items and apportion hours accordingly;
2. Under Other Payroll Items , enter the LWOP offset deduction item and enter the amount of the LWOP calculated by QuickBooks (in this example 197.81);
3. Note that Super and PAYG Tax calculate on Salary minus LWOP amount.

Pay with LWOP:

Review Paycheque

Jones, Norah Employee Number: [] Cheque No. []
 Tax Code: 2-TFT Pay Period: 08/10/2012 - 14/10/2012

Earnings

Item Name	Rate	Hours	Customer:Job
Salary	600.00	22:48	
Personal Salary	202.19	7:41	
LWOP	197.81	7:31	

Total Hours: 38:00

Other Payroll Items

Item Name	Rate	Quantity
Super	9.0%	
LWOP offset	-197.81	

Employee Summary

Item Name	Amount	YTD
Salary	600.00	1,600.00
Personal Salary	202.19	202.19
LWOP	197.81	197.81
LWOP offset	-197.81	-197.81
PAYG Tax	-110.00	-288.00

Cheque Amount: 692.19

Company Summary

Item Name	Amount	YTD
Super	72.20	162.20

Buttons: OK, Cancel, Help, Lock Net Pay (selected), Unlock Net Pay

Normal Pay:

Review Paycheque

Jones, Norah Employee Number Cheque No.
 Tax Code 2-TFT Pay Period 01/10/2012 - 07/10/2012

Earnings

Item Name	Rate	Hours	Customer:Job
Salary	1,000.00		

Total Hours: 0:00

Class

	Available	Accrued
Personal	-0:03	0:02
Holiday	78:21	0:00
Other 1	-7:31	0:00
Other 2	0:00	0:00

Do not accrue time
 Advanced Hol.Payment

Other Payroll Items

Item Name	Rate	Quantity
Super	9.0%	

Company Summary

Item Name	Amount	YTD
Super	90.00	90.00

Employee Summary

Item Name	Amount	YTD
Salary	1,000.00	1,000.00
PAYG Tax	-178.00	-178.00

Cheque Amount: 822.00

OK Cancel Help Lock Net Pay Unlock Net Pay

Check the Payroll Totals Report (Reports > Employees & Payroll>);
 (one normal pay and one pay with LWOP)

Payroll Totals

Modify Report... Memrise... Print... Email Export... Hide Header Collapse Refresh

Dates This Payroll Quarter From 01/10/2012 To 31/12/2012

10:16 AM
08/11/12

Clean
Payroll Totals
 October through December 2012

	Gross	Wages	Ded-Gross	Adj Gross	PAYG Tax	Net Pay	Super
Jones, Norah	2,000.00	2,000.00	-197.81	1,802.19	-288.00	1,514.19	162.20
TOTAL	2,000.00	2,000.00	-197.81	1,802.19	-288.00	1,514.19	162.20

Note that **Adj Gross** column shows the correct amount – Total Salary less LWOP.

Check the Payment Summary shows amounts corresponding to Payroll Totals report:

PAYG payment summary - individual non-business
 Payment Summary for year ending 30 June 2013

Payee details
 Norah Jones
 123 High St
 Sydney, NSW 2000

NOTICE TO PAYEE
 If this payment summary shows an amount in the total tax withheld box, you must lodge a tax return. If no tax was withheld, you may still have to lodge a tax return. For more information about this payment summary or lodging your tax return, you can:
 visit www.ato.gov.au
 refer to TaxPack
 phone 13 28 61 between 8.00am and 6.00pm Monday to Friday.

Period of payment
 Day/Month/Year: 01/07/2012 to 30/06/2013

Payee's tax file number 987654321 **TOTAL TAX WITHHELD** \$288

		Lump sum payments	Type
Gross payments	\$1802	A	\$ <input type="text"/> <input type="checkbox"/>
CDEP payments	\$ <input type="text"/>	B	\$ <input type="text"/>
Reportable fringe benefits amount <small>FBT year 1 April to 31 March</small>	\$ <input type="text"/>	D	\$ <input type="text"/>
Reportable employer superannuation contributions	\$0	E	\$ <input type="text"/>
Total allowances	\$ <input type="text"/>		

Total allowances are not included in Gross payments above. This amount needs to be shown separately in your tax return.

You can change the name of the OTH1 leave item to LWOP in Edit > Preferences > Payroll & Employees > Company Preferences > Other Leave Names

If Leave is accrued as 'Every pay' or 'Beginning of year'

With these options the normal amount of leave will be accrued in periods when leave without pay is taken. Please check with your Accountant whether the taking of leave without pay will require an adjustment in annual, personal and long service leave entitlements.

If needed, manually calculate the amount of leave entitlement of the leave without pay period and deduct this amount from Hours Available in the employee's Leave record.

In the example here, 7hours and 31minutes (7.51667) creates an annual leave entitlement (20 days per year) of $152/1976 \times 7.51667 = 0.57820$. Personal leave entitlement (10 days per year) will be 0.28910.

Reduce the Hours Available on the Holiday and Personal tabs by 0.57820 and 0.28910 respectively.

You may want to document this adjustment on the Notes button.

Alternate method

If you do not have an Other leave category available, then you will need to change the amount of Salary. This method does not require a LWOP payroll item.

Example details:

Normal Pay: \$1,000 per week / 38hrs;
Total Leave taken: 2 days – 15hrs 12mins
Available Personal Leave: 7hrs 41mins
Leave without Pay: 7hrs 31mins

1. Calculate the amount of salary to pay the employee this pay period (in this example, weekly):
 - a. Normal Weekly Salary: 1,000.00
 - b. Value of leave without pay: $1000 \times 7:31/38 =$ 197.81
 - c. Salary this week: 802.19

2. Calculate adjusted salary hours this week:
 - a. Paid hours this week: (Weekly Hrs – LWOP) 30hrs 29mins
 - b. Personal Salary Hours: 7hrs 41mins
 - c. Salary hours this week: 22hrs 48mins

3. Process Pay:
 - a. On Review or Change Payments screen, change the Salary amount to your **calculated Salary this week** – in this case: 802.19;
 - b. Enter Personal Salary item and enter hours for each payroll item:
 - i. In this case, 7:41 Personal Salary and 22:48 Salary;
 - c. Process the pay.

Review Or Change Payments

Hopkins, Anthony Employee Number Tax Code 2-TFT Pay Period 08/10/2012 - 14/10/2012

Earnings

Item Name	Rate	Hours	Customer:Job
Salary	600.00	22:48	
Personal Salary	202.19	7:41	

Total Hours: 30:29

Other Payroll Items

Item Name	Rate	Quantity
Super	9.0%	

Company Summary

Item Name	Amount	YTD
Super	72.20	162.20

Employee Summary

Item Name	Amount	YTD
Salary	600.00	1,600.00
Personal Salary	202.19	202.19
PAYG Tax	-110.00	-288.00
Net Pay:	692.19	

Buttons: Next, Save & Close, Cancel, Help

Check the **Payroll Totals Report** and note the similarities and differences to the preferred method.

Payroll Totals

Modify Report... Memrise... Print... Email... Export... Hide Header Collapse Refresh

Dates This Payroll Quarter From 01/10/2012 To 31/12/2012

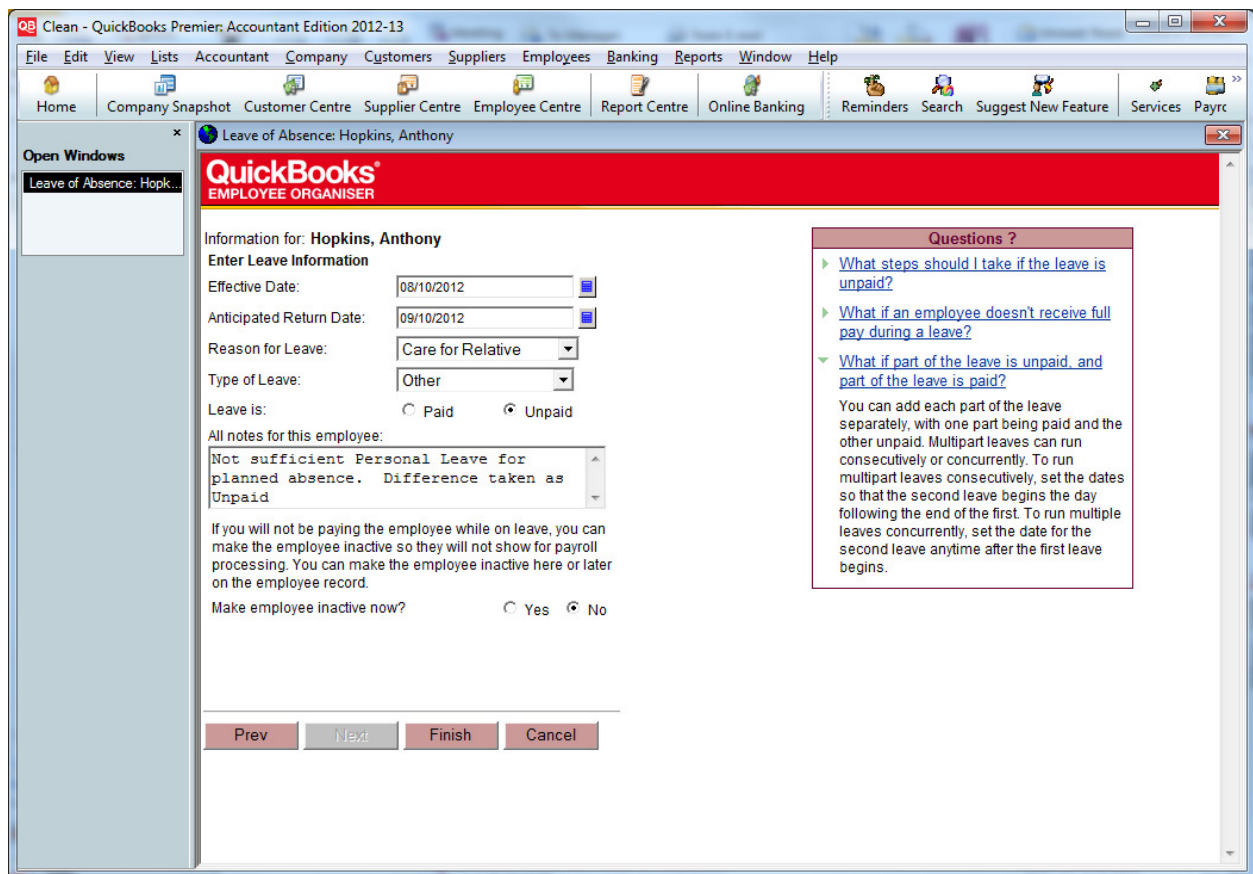
11:29 AM
08/11/12

Clean
Payroll Totals
October through December 2012

	Gross	Wages	Ded-Gross	Adj Gross	PAYG Tax	Net Pay	Super
Hopkins, Anthony	1,802.19	1,802.19	0.00	1,802.19	-288.00	1,514.19	162.20
Jones, Norah	2,000.00	2,000.00	-197.81	1,802.19	-288.00	1,514.19	162.20
TOTAL	3,802.19	3,802.19	-197.81	3,604.38	-576.00	3,028.38	324.40

You should make a note on the Employees record for the variation in the weekly pay. You can use the Employee Organiser for this:

1. Employees > Employee Organiser > Leave of Absence > Select employee > OK
2. Click Add and complete details;



3. When the employee returns, return to the Employee Organiser and mark the employee as having returned to work.