

Holiday Pay Scheme – Guidance notes

Regular holiday pay contributions and withdrawals should be made to and from B&CE Employer accounts. Regular monthly payments can be made to B&CE as well as occasional lump sums. This allows companies to budget and manage cash flow more accurately.

The payment of National Insurance free holiday pay is restricted to 'eligible employees' as specified by HM Revenue & Customs (HMRC) leaflet CIS340 Appendices A-C. This concession ends on 30 October 2012.

Companies have traditionally calculated their annual holiday pay liability and then divided it by 12. This gives the amount of holiday pay per month companies can pass through the scheme. However, as wage rates and employee numbers can fluctuate during any 12 month period, regular holiday pay reconciliations are advised, so that these monthly figures can be adjusted accordingly.

B&CE's centralised holiday pay scheme, allows companies to reclaim their holiday pay to pay out to employees. Reclaiming holiday pay is flexible, and can be done (a) in advance of the employee taking their holiday (b) retrospectively, to replace the money already paid to the employee for holidays taken.

Over each 12 month period, the company is required to pass the full gross holiday pay for each eligible employee through the B&CE holiday pay scheme. All holiday pay received by the employee is paid out free of National Insurance by the employer.

Any money deposited in a company's holiday pay fund, must remain with B&CE for a minimum of 5 working days, before it is available to be withdrawn.

A credit facility is not a service available from B&CE.

Although B&CE is not responsible for policing the holiday pay scheme, regular monthly statements for each customer are provided illustrating a summary of the amount of holiday pay passed through their fund. For further guidance or assistance, we recommend companies contact their local HMRC office or refer to HMRC CWG2 (2011) chapter 2, section 39.

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