

# **The Step-by-Step Guide to Switching Your Payroll System**



## Let's get started

There are tons of reasons you might look at changing your payroll software provider. Perhaps you need to upgrade from desktop to the cloud, or you could be concerned about payroll compliance. You might be in need of additional functionality, or looking for extra integration capability or better support.

Whatever the reason, changing can seem overwhelming. The process involves research, comparison of features, demos and testing. You'll need to run it all past your internal stakeholders, and wait for everyone to agree to move to a new system.

But if you know a new system is going to significantly improve your payroll processes, it's well worth investing a bit of time upfront, in order to save time and effort later.

This guide has been designed to help streamline and simplify the payroll software transition process. Let's dive in.



## When is the best time to change my payroll?

Today!

The only constraints around when you change to a new system is the availability of your own time.

Once, it was advisable to change at the end of a month to align with monthly PAYE filing requirements. But now that everyone files returns after every pay with payday filing, there's no reason you shouldn't switch over any time that suits you.



## Where do I start?

The first step is to **extract your data** out of your existing payroll system.

Exactly where to get that data differs between systems, but if it's not immediately obvious, your current payroll software provider should be able to advise you how to get the information you need. Most payroll programs provide an option to export your data into a spreadsheet.

When it comes to **loading your data** into your new payroll software, you have the option to **copy and paste** your employee details. This isn't a bad idea if you have fewer than 10 employees.

Otherwise you'll **import the employee details** from the exported spreadsheet into your new system. This is definitely the best option if you have a large number of employees. Your new provider may be able to help with this process.



# What kind of employee data do I need?

Start with all the basic employee details, such as:

- Name
- IRD number
- Tax code
- KiwiSaver details
- Bank account
- Email address
- Pay rate
- Start date (this is essential for working out leave entitlements)

You may also like to include other contact details, date of birth, job title, department etc.

Next, transfer the **leave balances**. You'll need 4 key figures:

- Gross Earnings since the last leave anniversary - 8% of this is the Holiday Pay Accrued.
- Annual Leave Due - this is the balance as at the last anniversary, less any leave taken since. It may be a negative figure, e.g if an employee who has been employed for less than a year has taken leave.
- Alternative Leave - if the employee has worked on public holidays.
- Sick Leave

Many systems still hold annual leave in hours or days, rather than weeks which is the recommended approach. If you need help converting your annual leave balances, this article may be of use.

Next, you'll need to get the employee's **work pattern** set up in the new system. This will be used for leave calculations going forward, so the more detail you can provide the better.

Now, check for any **special allowances or deductions** the employee might have, like child support, court fines etc.

Finally, you should load up 12 months of very **basic pay history** (in most cases just the earnings and number of hours or days worked by each employee per pay) so your new system can calculate the right rates for different types of leave. This article covers why, and when this step can be skipped.



# How do I know everything is working right?

The best approach is to run a parallel pay. This means you run the same pay in both your old payroll system and your new one. It's then an easy job to compare the total pay - and individual employee pays if necessary - to highlight anything requiring attention.

Parallel pays don't have to make your payday any more stressful than it already is. There's no need to get the new system pay done on the same day. If you're running weekly pays, a plan might look like this:

**Payday 1:** After running the pay in your old system, you have the rest of the week to extract your employee data and load it into your new payroll system.

**Payday 2:** This week, run your pay in the old system just as you normally would. Once done, you can take your time throughout the rest of the week creating the same pay in the new system and checking it for issues.

**Payday 3:** By now, you'll have the pays from the previous week all matching up on both systems, and if you're ready, you can start using your new payroll system. If not, or if you want to keep checking just to be extra sure, repeat the process from the previous pay, and you'll be all set for the following week.

Or, if you run out of time to run the parallel pay, you can just update your employee's leave balances and have another go next week.





## But won't that just double everything up?

Not if you plan ahead. In terms of sending payslips and paying your staff, use your old system as the 'live' system while running the parallel pays until you're ready to confirm the switch to your new system.

Your new system should allow you to run the pay without making bank payments, sending payslips or filing with Inland Revenue.

## And... speaking of Inland Revenue

This is another super-easy task when converting your payroll software system. If your new system connects directly to IRD for automated payday filing, all you'll need to do is connect that system to your IRD account when you're ready to run your first live pay.

It's not a problem to be connected to IRD from two different places at once. You can cancel the other connection later, once the switch to the new system is finalised.



# Switching to PayHero

If you're considering moving your payroll to PayHero, we've put the following steps in place to make it as easy as possible.

✓ **Data migrations:** If you're switching from Ace Payroll or MYOB desktop payroll, we can extract your employee data and pay history and load it into PayHero for you. For all other systems, our support team can upload your employee data and pay history data from a spreadsheet.

✓ **Testing:** PayHero comes with a 14-day free trial for all new accounts, so you've got plenty of time to put it through its paces. You can also try our interactive demo account which comes pre-loaded with example employee data.

✓ **Parallel pays:** With PayHero, you're in control of loading your bank file so there's no risk of paying people twice. PayHero also allows you to mark pays as sent, even when you don't actually send them. This means you can finish off the parallel pay without sending payslips or doubling up on the IRD returns. And when you're ready to confirm the switch, PayHero does your IRD filing automatically. You just need to log into IRD once to get this set up.





## **It all sounds easy enough, but I'm still not sure.**

No problem, we're here to help - our support is free and our fantastic team has many years of NZ payroll experience.

And if you need even more hands-on support from someone local, we have a heap of fantastic partners who would be happy to be of service.

