Final pay

When an employee is leaving employment, their employer must calculate their final pay.

An employer and employee can agree that the final pay will be made on the employee's last day of work. Employees should receive their final pay on the pay day for their final period of employment at the latest.

What final pay must include

An employee's final pay must include:

- payment for all the hours worked since the last pay until the end of employment.
- payment for annual holidays, public and alternative holidays owing.
- any additional lump sum or other payments owing. These may be included in the employment agreement or negotiated as part of a leaving package.

Any authorised deductions can be taken from the final pay.

If an employee does not receive all of the components of their final pay which are owing, they may have a claim for unpaid wages or holiday pay or other breach of their employment agreement.

Payment for leave and holidays in final pay

Deductions

Pay and wages

Notice component of the final pay

Employee gives required notice

If the employee gives the required notice the employer must pay the employee to the end of their notice period. If the employer asks the employee not to work the full notice period then the employer must pay the employee instead of notice. Payment instead of notice can only be made if it's in the employment agreement or is mutually agreed between the parties. If the employee asks the employer to waive all or some of their notice period then, if the employer agrees, they won't need to pay the employee for this time.

Employee doesn't give the required notice

If an employee gives less than the agreed amount of notice, the employer doesn't have to pay the employee for time after the last day they actually worked.

The employer may also be able to deduct pay in lieu of notice from any amount already owed to the employee.
Termination Pay flowchart

Please note that this content will change over time and may be out of date.

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