

# **Holidays Act 2023**

**– Current Status**

11 February 2026

# Holidays Act 2023 – Current Status

Although widely referred to as the “**Holidays Act 2023**”, New Zealand is **replacing the Holidays Act 2003** with an entirely **new employment leave law**. Cabinet made key policy decisions in **August 2025**, and the Government intends to introduce the new legislation in **early 2026** and pass it **before the next election**.

The intent of the reform is to:

- simplify leave calculations
- reduce compliance costs
- increase certainty for employers and employees
- address long-standing payroll issues

## Key Changes in the New Legislation (Proposed)

### 1. Leave will accrue continuously from day one

- Annual and sick leave will accrue **hour-by-hour**, not in lump sums.
- Employees can use leave in **hours**, enabling part-day absences.
- Sick leave will be proportional to contracted hours (removing the fixed 10-day entitlement).

### 2. Standardised leave pay calculation

- All types of leave will be paid using one hourly leave pay rate, based on the worker’s base wage for that day.
- Fixed allowances will continue to be paid during leave.

### 3. Casual employees to receive 12.5% “leave compensation”

- Instead of accruing leave, casuals will receive a 12.5% payment on all hours worked.
- Full-time/part-time employees will also receive this for additional hours worked beyond contracted hours (unless compensated by salary).

### 4. Public holiday rules clarified

- A clearer test will determine who “would otherwise have worked” on a public holiday.
- Alternative holidays will also move to **hours-based accrual**.

### 5. Parental leave improvements

- Annual leave taken after parental leave will be paid **as normal**, not at a reduced rate.

### 6. Other proposals

- Family violence and bereavement leave will accrue from day one.
- Employees may cash-up **25% of their annual leave** annually (current rule: one week).
- Mandatory **itemised payslips** every pay period.

## Why This Reform Matters

The current Holidays Act has caused compliance problems for years, including high-profile payroll remediation such as **Te Whatu Ora’s \$544 million repayment project**. The new employment leave law is designed to eliminate ambiguity in calculations and definitions.

## Timeline

- **August 2025:** Cabinet confirms policy direction.
- **Early 2026:** New legislation to be introduced to Parliament.
- **Before next election:** Government intends to pass the law.
- **Two-year transition period** after enactment.