# **Payroll Advance policy**

This **Payroll Advance policy** template is ready to be tailored to your company’s needs and should be considered a starting point for setting up your employment policies.

## **Policy brief & purpose**

Our payroll advance policy describes our terms for advancing pay to our employees as an emergency short-term loan.

## **Scope**

This policy applies to all of our permanent full-time or part-time employees regardless of position. Temporary employees who have contracts that span more than [*one year*] may also be included in this policy.

## **Policy elements**

“Payroll advance” refers to employees receiving a portion of their pay before their next normal payday. This doesn’t include any money paid to the employee for relocation or work-related expenses.

Our company isn’t obliged to pay employees in advance. We may choose to do so if employees have legitimate reasons.

### **Conditions for requesting a payroll advance**

Employees can ask for a pay advance if they:

* Have completed their probation period.
* Have not taken any other company-sponsored loan.
* Have not asked for a pay advance in the past [*six months*.]

These conditions apply to all eligible employees without discrimination against protected characteristics, rank or position.

Employees should have a legitimate reason to ask for advance pay, usually an unexpected or unavoidable occurrence. Examples of such reasons are having to pay for:

* [*Family or personal emergencies (e.g. being victims of a robbery or fire, having to pay funeral fees)*]
* [*Hospital bills not covered by medical insurance*]
* [*Car repairs not covered by insurance*]

Our company may make payments on behalf of the employee when applicable (e.g. utility, credit card or mortgage bill) instead of giving them the pay advance directly.

Examples of non-legitimate reasons are:

* [*Taking a planned vacation*]
* [*Entertainment expenses*]
* [*Gambling*]
* [*Fines*]

### **Payroll advance terms**

The minimum advance pay is [*half of employees’ monthly net pay*] and can not exceed [*80% of employees’ monthly net pay*.] If employees find themselves in need of more frequent or larger pay advances than they are allowed, they should discuss the situation with their [*Department and HR Director*.] Management may decide to make exceptions on a case-by-case basis.

We will deduct the amount of the advance pay from an employee’s future paychecks. This may mean:

* Deducting the full amount from their next paycheck.
* Repaying the amount in small installments out of a number of future paychecks.

The repayment terms must be in writing and signed by employees. Repayment terms will comply with the law if it places restrictions on the deductible amount or if it prohibits paycheck deductions altogether.

We will not charge any administrative fees or interest.

If an employee resigns or is terminated before they repay their payroll advance, HR is responsible for reaching a new agreement with the employee or deducting the entire remaining amount from the final paycheck. Any relevant legal requirements (whether national or local) must be followed.

### **Payroll advance agreements**

Employees who want to request a payroll advance should ask for HR for an official form. They must:

* Indicate their reasons for filing the form.
* State the amount of money they want to receive in advance.
* Sign to accept this policy’s terms.

This procedure must be followed:

1. Employees should submit the form to their Department Head (or HR if their Department Head is unavailable.)
2. The Department Head should first review the form. If they approve, they must sign the form and submit it to HR and [*Finance Director*.]
3. HR and the [*Finance Director*] must also review the form and decide whether to grant the employee’s request within [*two days*] of receiving the form. If they approve, HR must create an agreement form on pay advance and repayment terms taking any applicable taxes into account. This agreement must be signed by HR, the [*Finance Director*] and the employee and include relevant dates.
4. HR must forward the signed agreement to the accounting department. The accounting department must give employees their advanced pay through check, cash or bank transfer within [two days] since receiving the form.

If the request is denied, the [*manager/HR*] must inform that employee within one business day.

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| *Disclaimer: This policy template is meant to provide general guidelines and should be used as a reference. It may not take into account all relevant local, state or federal laws and is not a legal document. Neither the author nor Workable will assume any legal liability that may arise from the use of this policy.* |