



National Minimum Wage (NMW) & National Living Wage (NLW)

INTRODUCTION

The national living and minimum wage is the predetermined hourly rate set by the government. This is the absolute minimum you must pay your employee per hour. In recent times there have been a lot of organisations that have fallen foul of the guidelines and HMRC themselves have a special task force team that enforces this. It is difficult to know when to apply the minimum wage and although some of the guidance is very clear a lot of it is very murky.

THE BASICS

On the face of it the minimum wage is a simple piece of legislation to follow. Several hourly rates to apply, dependent on age and status as an employee. For every hour an employee works they must be paid at least the set hourly rate for their age.

SIMPLE... OR NOT?

Certain employers have contractual items that could fall foul of the minimum wage legislation. There are certain deductions that can reduce an employee's wage for national minimum wage purposes, some gross, some net...*

1. **Uniform / Tools / Safety Clothing** – if you take money off your employees for uniforms, safety clothing, tools **or any other amount that is for expenditure connected to the job** then you could fall foul of minimum wage. As an example if you pay your 25 year old employee 40 hours per week at £8.21 per hour but deduct £15 as a net deduction for a uniform then you are contravening national living wage.
2. **Meals / Transport provided by employer** – if you make deductions for meals or transport provided by you then you could also fall foul of minimum wage regulations. Even if the employee willingly authorises the deduction it is still a contravention of the rules and you are leaving yourself open to attack from the authorities.
3. **Accommodation** – If you provide accommodation to a worker and deduct rent or reduce hourly rates through the payroll you could also fall foul of the regulations. There is an accommodation offset rate predetermined by the government. From April 2020 this amount is £52.85 per week so if you deduct more than this from your employee's wage for accommodation and only pay them the minimum or living wage then you could fall foul of the regulations.
4. **Internal company subscriptions such as lottery / lockers / parking** – If you contractually oblige employees to pay for things like lockers, parking or lottery then you are also contravening the regulations. In some cases it is ok for these deductions to be taken but they must be voluntary and not contractual. **It is always advisable for the employee to make their own arrangements to pay their internal company subscriptions, voluntary and off payroll to avoid any confusion.**

CAN ANYTHING BE DEDUCTED?

It is still ok for certain items to be deducted from an employees pay and not have any effect on the national minimum wage:-*

- Contractual payments relating to misconduct
- Deductions due to an advance of wages prior to payroll processing
- Deductions to cover an accidental overpayment
- Deductions from pay that are not linked to the expenditure of the job such as stock

SUMMARY

It can be difficult to know whether you are contravening the regulations and it is always worth regularly reviewing your contracts of employment to ascertain if there are any clauses that are unknowingly falling foul of the regulations. **Please call MNA Payroll if you are unsure about taking deductions from your employees.**

*The above lists are not exhaustive