This information is intended to be a brief introduction to the subject. Legal information is provided for guidance only and should not be regarded as an authoritative statement of the law.

Leaflet 5 **February 2016**

Pay the right rates

As an employer, you have a number of legal obligations with regards to paying your staff.

This leaflet aims to help you understand these obligations, including the need to supply an itemised pay statement and to comply with national minimum wage law. You must also - where necessary - make other statutory payments, including maternity, ordinary paternity, additional paternity, adoption, sick and guarantee pay. It also identifies those wage deductions that are unlawful.

Registering as an employer with HMRC

If you are taking on your first employee, you must check if you need to register with HM Revenue & Customs. If you need to register, you can do so up to four weeks in advance of your first pay day. See HMRC video on YouTube

Issuing pay statements

As an employer you are legally obliged to give each employee a written **itemised** pay statement, usually known as a payslip or wage slip. You must issue it at, or before, the time you pay your employee.

Content of a pay statement

An itemised pay statement must show:

- the gross amount of the wages or salary before deductions
- the amounts of - and reasons for - any fixed deductions, eg trade union subscriptions, or the total figure for fixed deductions when you have provided a separate standing statement of the details
- the amounts of - and reasons for - any variable deductions
- the net amount of wages or salary payable after deductions
- a breakdown of each part-payment - such as part by cheque, part in cash

Standing statements of fixed deductions

A pay statement does not have to include the amount and purpose of every separate fixed deduction every time. However, if you don't issue a payslip that does this, you must give the employee a standing written statement of fixed deductions at least once every 12 months. This statement must state for each item deducted:

- the amount
- the intervals at which the deduction is made
- the purpose or description, eg trade union subscription

You must give the employee this statement at, or before, the time of issuing any pay statement which quotes the total figure of fixed deductions.

Tribunal claims in relation to pay statements

An employee may complain to an industrial tribunal where you have:

- Failed to give them any kind of pay statement.
- Not included all the required details in an itemised pay statement or standing statement of fixed deductions. As an employer, you may also apply to a tribunal for a decision on what should be included in a pay statement or standing statement.
- Dismissed them for seeking to enforce a right in relation to a pay statement. This right applies regardless of the employee's length of service.

Employees must make their complaint while employed by you or within three months of leaving your employment. Note that an industrial tribunal cannot deal

with a question relating only to the accuracy of an amount stated in any statement.

A tribunal may award the employee compensation at its discretion if it finds that you made un-notified deductions of pay, ie deductions that did not appear on a pay statement or a standing statement. The discretionary amount awarded will not exceed the total of the un-notified deductions during the 13 weeks immediately before the date the employee made their application to the tribunal.

Paying the national minimum wage

The National Minimum Wage (NMW) is the minimum amount of pay that workers are entitled to. There are different rates – one for 16 and 17 year olds; one for workers aged 18 to 20; and one for workers aged 21 and older.

From **1 October 2015** the minimum rates of pay are:

£6.70 per hour for workers aged 21 and over

£5.30 per hour for workers aged 18 -20

£3.87 per hour for workers aged *16 – 17

a minimum wage of £3.30 per hour for apprentices who are either under 19 or over 19 and in the first year of their apprenticeship.

* Above school leaving age i.e. after 30th June of the school year in which the 16th birthday occurs. These rates are reviewed annually.

These rates are reviewed annually in October.

The term 'worker' includes homeworkers, agency workers, part-time workers, casual workers, piece workers, workers who are paid by commission, workers on fixed-term contracts and apprentices.

There is a separate minimum wage for agricultural workers.
http://www.nidirect.gov.uk/index/contacts/contacts-az.htm/agricultural-wages-board

Other statutory payments

An individual may be entitled to a statutory payment if they:

- become a parent, including through adoption
- are off work due to illness

To qualify for any statutory payment the individual must be an employed earner, ie someone working for an employer who is liable to pay secondary Class 1 National Insurance contributions on their wages or salary.

Statutory pay for parents
To be eligible for statutory maternity pay, shared parental pay, statutory paternity Pay, or statutory adoption pay, the individual must:

- meet certain qualifying criteria relating to minimum earnings and - in paternity and adoption cases - their relationship with the child and the biological mother/other adoptive parent
- comply with certain notification rules

Statutory sick pay
Under certain conditions, you may have to pay statutory sick pay to an employee. This is the minimum level of payment you must make to someone who is off work through illness - their contract with you may entitle them to more than this. For further information see Information note No.4 Sickness absence notification and statutory sick pay.

Where can I get more information?

The Agency Helpline 028 9032 1442 gives free advice on employment matters.