

STATUTORY DEDUCTIONS AND BENEFITS RATES

1st October 2009

Introduction

This summary document describes the statutory rates of pay etc referred to in many of the other documents to be found on myhrdept.co.uk. This is not an authoritative guide to dealing with the issues described and should not be taken as such. Employers are advised to seek confirmation from their local Inland Revenue office for further information and/or confirmation of the information contained herein.

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1. Deductions

1.1. National Insurance Contributions (NICs)

All employees between 16yrs old and state pension age must pay Class 1 National Insurance Contributions (NICs) on gross earnings between the Primary Threshold (PT) and the Upper Earnings Limit (UEL).

However as the government regards NICs as having been paid on earnings at the Lower Earnings Limit (LEL) - i.e. less than the PT – employees' earnings must reach at least the LEL for them to be eligible for contributory benefits such as Statutory Maternity, Paternity, Adoption Pay etc.

The LEL for the 2008/09 tax year is £90 per week.

There are many different rates of NICs, for example depending on pension scheme membership. Further information can be found by visiting the 'Frequently Asked Questions' page of the Inland Revenue website at www.Inlandrevenue.gov.uk/faqs/nicqemp.htm.

1.2. Income Tax

For the 2008/09 tax year*:

The basic rate of tax of 20% applies to earnings under £34,600.
The higher rate of 40% applies to earnings over £34,600.

*subject to confirmation from HM Revenue and Customs

CONTACT YOUR LOCAL INLAND REVENUE OFFICE FOR DETAILS OF TAX & NIC RATES AND STANDARD PERSONAL ALLOWANCES.

2. Benefits

2.1. Statutory Maternity Pay (SMP)

SMP is a payment made by the employer to an employee on maternity leave, provided her earnings are at or above the National Insurance LEL. SMP is paid for a maximum of 26 weeks, at two levels.

- The first six weeks are paid at 90% of the employee's average earnings
- The remaining 20 weeks are paid at Standard SMP Rate, or if the employee's average earnings are less than this, at 90% of actual average earnings.

Detailed Maternity Policies and Procedures and Employer's Guides are available on myhrdept.co.uk

From April 2008 SMP is £117.18 per week or 90% of actual earnings if less than £117.18 per week.

2.2. Statutory Paternity Pay (SPP)

SPP is a payment made by the employer to an employee on paternity leave, provided their earnings are at or above the National Insurance LEL.

SPP is paid for a maximum of 2 weeks, both at the Standard SPP rate.

Detailed Paternity Policies and Procedures and Employer's Guides are available on

myhrdept.co.uk

From April 2008 SPP is £117.18 per week or 90% of actual earnings if less than £117.18 per week.

2.3. Statutory Adoption Pay (SAP)

SAP is a payment made by the employer to an employee who is on Adoption Leave, provided their earnings are at or above the National Insurance LEL.

SAP is paid for a maximum of 26 weeks at the Standard Rate.

From April 2007 SAP is £117.18 per week or 90% of actual earnings if less than £117.18 per week.

2.4. Statutory Sick Pay (SSP)

SSP is a payment made by the employer to an employee who is absent from work due to illness, provided their earnings are at or above the National Insurance LEL (£90 per week) and they meet certain criteria. For further information on paying SSP see www.hmrc.gov.uk/helpsheets/e14.pdf

SPP is paid for a maximum of 28 weeks.

From April 2007 SSP is £75.40 per week.

2.5. Statutory Redundancy Pay (SRP)

Statutory Redundancy Pay is paid to an employee whose job has been made redundant and for whom a suitable alternative role cannot be found.

The number of weeks' SRP paid is based on the employee's age and length of service. Contact your local Inland Revenue office for guidance before making final payments or providing quotations.

From October 2009 SRP is £380 per week or average weekly earnings if lower than £380 per week. SRP is payable based on a maximum of 20 years' service. The maximum value of SRP would be

1.5 (the maximum multiplier) x 20 (years, each at 1.5 weeks) x £380 =£11,400.

2.6. Summary of Standard Benefit Rates

With effect from 6th April 2008;

SMP - £117.18 per week or 90% of actual earnings if less than £117.18 per week.

SAP - - £117.18 per week or 90% of actual earnings if less than - £117.18 per week.

SPP - £117.18 per week or 90% of actual earnings if less than - £117.18 per week

SSP - £75.40 per week

With effect from 1st February 2009;

SRP - £350 per week or average weekly pay if less than £350 per week, up to a maximum of 20 weeks pay.

3. Making Payments

SMP, SPP and SAP must be paid in the same way as normal earnings e.g. weekly paid employees will receive their SMP on a weekly basis; monthly paid employees will receive their SMP on a monthly basis. Payments are subject to tax and NICs.

SRP would normally be paid as a lump sum upon the employee's termination. Payments that do not exceed £30,000 are not subject to statutory deductions.

Any notice pay included in final settlements is subject to statutory deductions.

4. Reclaiming Payments

4.1. SMP, SAP, SPP

Small employers whose Class 1 NIC bill is less than £45K can claim back 100% of SMP, SAP and SPP, plus an element of compensation (4.5% from April 2005), from the government. They can even recover the monies in advance of making payments to the employee. Large employers, i.e. those whose total gross Class I NICs are £45k (from April 2005) or more in the individual employee's qualifying year, can only claim back 92% and are not eligible for compensation.

4.2. SSP

Employers can reclaim some of the cost of paying SSP from the government in any given month. Any costs in excess of 13% of the employer's gross NICs (both employers and employees) can be reclaimed.

4.3. SRP

There is no provision for employers to reclaim SRP

4.4. How to claim

Offset the money you have to pay over to the Inland Revenue for

- PAYE tax
- National Insurance contributions
- Student Loan deductions
- Construction Industry Scheme deductions.

You may also need to use this money to pay tax credits and other statutory payments. If you need to get the SMP/SPP back quickly, you can apply to your Accounts Office for payment. You can do this where, for example, the amount of money you need to pay out exceeds the amount you will have available for the same tax month or quarter.

5. National Minimum Wage

The National Minimum Wage was introduced on 1 April 1999. All employers, regardless of size or location, must pay the minimum wage to anyone who works for them who is not classified as Self Employed. There are some exceptional categories of workers to whom the National Minimum Wage is not payable.

Workers need not be paid the minimum wage for each hour worked but must be paid the minimum on average for the time worked in the pay reference period. The reference period is usually the worker's actual pay period e.g. a day, a week, a month. Some earnings and deductions via payroll, for the reference period but paid later (e.g. tips, bonuses, pension deductions etc) are included; others such as overtime, shift/unsocial hours premia, costs for accommodation or safety equipment are excluded.

5.1. Rates

With effect from 1st October 2009

Workers 22yrs + - £5.80 per hour (except "accredited" trainees and some excluded groups.)

Workers aged 18 to 21yrs - £4.83 per hour (known as the development rate.)

Workers aged 16-17yrs - £3.57 per hour.