

# STATUTORY DEDUCTIONS AND BENEFITS RATES

1<sup>st</sup> October 2010

## 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 2010/11 tax year is £97 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](http://www.Inlandrevenue.gov.uk/faqs/nicqemp.htm).

## **1.2. Income Tax**

For the 2010/11 tax year:

The basic rate of tax of 20% applies to earnings under £37,400.

The higher rate of 40% applies to earnings over £37,401-£150,000.

The super rate of 50% applies to earnings over £150,000.

**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 39 weeks, at two levels.

- The first six weeks are paid at 90% of the employee's average earnings
- The remaining 33 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](http://myhrdept.co.uk)

From April 2010 SMP is £124.88 per week or 90% of actual earnings if less than £124.88 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](http://myhrdept.co.uk)

From April 2010 SPP is £124.88 per week or 90% of actual earnings if less than £124.88 per week.

At the time of writing the Government had announced their intention to allow **maternity** to be shared between parents in place of/in addition to existing paternity arrangements. This would allow a choice of mother or father to take the balance of maternity leave and pay after 26 weeks. These regulations are expected to arrive after 2010.

## **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 39 weeks at the Standard Rate.

From April 2010 SAP is £124.88 per week or 90% of actual earnings if less than £124.88 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 (£97 per week) and they meet certain criteria. For further information on paying SSP see [www.hmrc.gov.uk/helpsheets/e14.pdf](http://www.hmrc.gov.uk/helpsheets/e14.pdf)

SPP is paid for a maximum of 28 weeks in any 3 year period.

From April 2010 SSP is £79.15 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 February 2010 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 2010;

SMP - £124.88 per week or 90% of actual earnings if less than £124.88 per week.

SAP - - £124.88 per week or 90% of actual earnings if less than - £124.88 per week.

SPP - £124.88 per week or 90% of actual earnings if less than - £124.88 per week

SSP - £79.15 per week

With effect from 1st February 210;

SRP weekly pay cap - £380 per week or average weekly pay if less than £380 per week

## **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. Some companies choose to offer discretionary enhanced redundancy payments i.e. inclusive of but over and above the legal minimum. 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 through payroll, certain bonuses, pension deductions etc) are included; others such as overtime, shift/unsocial hours premia, costs for accommodation that are above the 'accommodation offset' threshold) or safety equipment are excluded.

## **5.1. Rates**

With effect from 1st October 2010;

Workers 21yrs + - £5.93 per hour

Workers aged 18 to 20yrs - £4.92 per hour (known as the development rate.)

Workers aged 16-17yrs - £3.64 per hour.

Apprentices (on government approved schemes) - £2.50 per hour

The rates will next be reviewed 1st October 2011