

# Are you Compliant?

If you pay a salary instead of an hourly rate, you need to make sure that you are still paying the required minimum wage. If you are found not to be paying the correct amount you may be made to back date it and could face large fines and penalties.

The National Minimum (NMW) or then National Living Wage (NLW) if your aged 23 or over is set by the government each year as the minimum amount a person can be paid for hours worked.

## When the New Rate Increases

You will need to increase the employee's minimum wage amount when:

Increases come into effect on the 1st April 2021

When an employee turns another year older

The higher rate is paid from the next 'pay reference period' after the increase. Meaning the pay increase might not show on the employee's payslip straight away as the wages might not go up straight away.

## Who gets the apprentice rate?

You can pay the Apprentice Rate to anyone that is:

- under the age of 19
- 19 or over, and in the first year of a current apprenticeship agreement

19 years or over, that have completed the first year of a current apprenticeship, are entitled to the minimum wage for their age.

## Retention of records

Under the National Minimum Wage (Amendment) Regulations 2021 - there is a requirement for employers to retain records for the National Minimum Wage for a period of **six years**.

This ensures that the length of time records must be kept by employers is aligned with the period of time for which employers could be issued with a notice of underpayment in relation to underpayment of the National Minimum Wage.

## Example

23 year old working 40 hours a week

	Old Rate £	New Rate £
Hour	8.72	8.91
Day	69.76	71.28
Week	348.80	356.40
Month	1,511.46	1,544.40
Annual	18,137.60	18,532.80

## Minimum Wage earner:

An employee is 22 years old, paid weekly and works 45 hours a week.

The total weekly pay before tax is usually £400. This usually includes £100 in tips, so you'll need to use £300 as the starting point to work out if you're paying the minimum wage.

The average hourly rate paid is £6.67 (£300 divided by 45). This is below the minimum wage for a worker aged 22. As an employer you need to pay at least £8.36 an hour - not including tips.

**Talk to an advisor today**

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