

BMC ACCOUNTANTS LTD

Chartered Accountants & Registered Auditors

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NATIONAL LIVING WAGE

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From 1 April 2016, workers aged 25 and over became entitled to a minimum pay rate of £7.20 per hour.

This is called the National Living Wage.

WHAT IS IT?

Essentially, it is the new National Minimum Wage (NML) for workers aged 25 and over. It is actually described as a minimum wage 'premium' in the Budget document, and is set at a rate of £7.20 per hour.

There was already a 'Living Wage' in place, which was a voluntary wage rate that had been calculated as being the rate needed for a minimum acceptable standard of living for different family types.

The new National Living Wage (NLW) is the first step to try and bring the minimum wage in line with the living wage and is expected to reach more than £9 per hour by 2020.

WHEN WILL THE NEW RATE COME INTO FORCE?

The new rate will come into force on 1 April 2016.

DOES IT APPLY TO YOU?

Workers must be 16 to get the NML, and must be 25 or over to get the NLW. For each rate:

EMPLOYEES WHO QUALIFY FOR MIMUM WAGE RATES ARE

- full-time
- part-time
- casual labourers, eg someone hired for one day
- agency workers
- workers and homeworkers paid by the number of items they make
- apprentices
- trainees, workers on probation
- disabled workers
- agricultural workers
- foreign workers
- seafarers
- offshore workers



NOT ENTITLED TO MIMIMUM WAGE

Contact Us

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The following types of workers aren't entitled to the National Minimum Wage or National Living Wage:

- self-employed people running their own business
- company directors
- volunteers or voluntary workers
- workers on a government employment programme
- members of the armed forces
- family members of the employer living in the employer's home
- non-family members living in the employer's home who share in the work and leisure activities, are treated as one of the family and aren't charged for meals or accommodation, eg au pairs
- workers younger than school leaving age (usually 16)
- higher and further education students on a work placement up to 1 year
- workers on government pre-apprenticeships schemes
- people on the following European Union programmes: Leonardo da Vinci, Youth in Action, Erasmus, Comenius
- people working on a Jobcentre Plus Work trial for 6 weeks
- share fishermen
- prisoners
- people living and working in a religious community

WHAT ARE THE VARIOUS RATES?

Age	Minimum rate
Over 25 (NLW)	£7.20 an hour
21-25	£6.70
18-20	£5.30
16-17	£3.87
Apprentices	£3.30

PENALTIES!

A package of measures to ensure hardworking people receive the pay they are entitled to has been announced. The measures include:

- doubling the penalties for non-payment of the National Minimum Wage and the new National Living Wage,
- increasing the enforcement budget,
- setting up a new team in HMRC to take forward criminal prosecutions for those who deliberately do not comply,
- ensuring that anyone found guilty will be considered for disqualification from being a company director for up to 15 years.

The calculation of penalties on those who do not comply will rise from 100% of arrears to 200%. This will be halved if employers pay within 14 days. The overall maximum penalty of £20,000 per worker remains unchanged.