

# Shaw Trust Direct Payments Support Services

## Information Sheet 12: Wages, Tax, NI and Benefits

### Sheet Outline:

- Tax and National Insurance
- Sick pay
- Time off and pay for parents
- Other benefits

### Outcome:

- To increase awareness of wage and pay issues

## Tax and National Insurance Contributions

By employing a Personal Assistant you need to be responsible for PAYE yourself, or use a payroll service such as Shaw Trust's Payroll.

If you choose to manage the payroll function yourself, you need to first register with HM Revenue & Customs as a new employer. They will send you all the relevant information and forms. For further information, call the New Employer Helpline on 0845 60 70 143, go to <http://www.hmrc.gov.uk/employers/> or enquire at your designated tax office.

- You need your new employee's tax code which should be on their P45. If this is not available, contact your tax office for a code to use. The tax code tells you how much they can earn each year without paying tax. It is possible that your Personal Assistant will not be liable for tax if they do not earn enough.
- If your employees are liable to pay tax, as their employer you will probably forward their deductions to the Collections Agency by monthly or quarterly instalments.
- National Insurance Contributions (NIC's) are made up of an employee's contribution taken from their wages and a contribution from the employer. Your Personal Assistant might not be liable for this either. The level of earning above which NIC's are due changes periodically and is normally announced in the Chancellor's budget

If your payments to the tax office are less than a certain amount per month, you can send them quarterly. This includes all tax and national insurance contributions.

The HM Revenue & Customs booklet, "PAYE and NICs Rates and Limits for 2006/7" includes information about PAYE tax and National Insurance. This booklet also contains mileage rates, payable to staff who claim mileage off you for the driving they do whilst at work.

**For more information speak to your Support Officer or go to:**

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

## **Sick Pay**

As an employer there may be occasions when you have to pay Statutory Sick Pay (SSP) to your employees, if they are unable to work due to illness.

Employees may be entitled to SSP if they meet certain qualifying conditions:

- They must earn at least the lower earning limit for NICs
- They must have been incapable of working due to illness for at least 4 consecutive days, including weekends and public holidays (the first 3 days of illness are considered 'waiting days'.)

SSP is paid for days that are 'qualifying days'. These are normally those days required to work under contract. The maximum liability to pay SSP is 28 weeks in one spell of sickness or 'linked periods of illness'.

### **Employer's responsibilities:**

- For the first 7 days of illness, your employee can provide a self certificate. After that period, you can request an official doctors' sick note.
- If your employee is not entitled to SSP or fails to meet the qualifying conditions, then after 4 days you are obliged to complete the form SSP1 and give this to your employee.
- SSP weekly payments are set by the government and should be paid at the same time and in the same way as wages for that period.
- SSP is a PAYE tax and NIC deductible benefit, although if this is the only payment received during a period of sickness then no NIC will be due

The HM Revenue & Customs booklet, "What to do if your employee is sick" includes information about sickness and Statutory Sick Pay (SSP).

**For more information speak to your Support Officer or go to**

[www.hmrc.gov.uk/employers/employee\\_sick.htm](http://www.hmrc.gov.uk/employers/employee_sick.htm).

# Pay and Time Off for Parents

## ALL THIS INFORMATION IS SUBJECT TO CHANGES IN LEGISLATION

This information, downloaded from [www.dti.gov.uk](http://www.dti.gov.uk), is relevant to all DP users who have pregnant employees whose baby is due on or after **1<sup>st</sup> April 2007**. Where an employee's baby is due before then, the previous legislation and guidance will continue to apply (Contact the DPSS if you are unsure).

### Statutory Maternity Pay

- All pregnant employees are entitled to paid time off for antenatal care.
- All pregnant employees are entitled to 52 weeks' maternity leave (26 weeks' Ordinary Maternity Leave and 26 weeks' Additional Maternity Leave).
- Pregnant employees who meet qualifying conditions based on their length of service and average earnings are entitled to up to 39 weeks' Statutory Maternity Pay (SMP), which is paid by their employers and mostly or completely refunded by the Government.
- Women who are not entitled to SMP but meet qualifying conditions based on their recent employment and earnings may claim up to 39 weeks' Maternity Allowance, paid direct by Jobcentre Plus.
- Employers may make reasonable contact with a woman on maternity leave for a number of reasons, such as to discuss arrangements for her return to work.
- Employees may undertake up to ten 'Keeping in Touch Days' during their maternity leave – allowing work under their contract of employment – by agreement with the employer.
- Employees who wish to return to work either earlier or later than agreed with the employer should provide eight weeks' notice, unless the employer agrees to less notice being given.
- Employees have a right to return to the same job after maternity leave. There may be some exceptions to this if the employee takes more than 26 weeks' maternity leave and if it is not reasonably practicable for the employer to hold her job open, but she must still be offered a job that is suitable for her and the terms and conditions must be no less favourable.
- Pregnant employees and those on maternity leave are protected under sex discrimination legislation which outlaws unfair treatment, including dismissal, on grounds of their sex, pregnancy or maternity leave.
- Employers are by law required to protect the health and safety of employees who are pregnant, have recently given birth, or who are breast-feeding.
- Pregnant employees who meet qualifying conditions based on their length of service and average earnings and give the correct notice are

entitled to receive from their employers up to 39 weeks' Statutory Maternity Pay (SMP).

- Employers who are liable to pay SMP may reclaim 92% of the amount they pay from Her Majesty's Revenue and Customs. Businesses may be eligible to claim back 104.5% of the money they pay out in SMP if their total National Insurance Liability in the previous tax year was £45,000 or less.

The rate of SMP is 90% of a woman's average weekly earnings for the first six weeks, followed by the lesser of a flat rate of - currently **£108.85** a week - or **90% of her average weekly earnings** for the remaining 33 weeks. The flat rate is subject to review every April.

Women who are not entitled to SMP but meet qualifying conditions based on their recent employment and earnings records may claim up to 39 weeks' Maternity Allowance from their JobCentre Plus office.

If you have any Personal Assistants, carers or other staff who are or become pregnant, DP users may wish either to check out the websites: [www.hmrc.gov.uk](http://www.hmrc.gov.uk), [www.dti.gov.uk](http://www.dti.gov.uk) or [www.acas.org.uk](http://www.acas.org.uk).

## Statutory Paternity Pay

This is a legal entitlement to a certain amount of pay to help a father take time off to care for a baby or support the mother in the first few weeks after the birth. It is available to:

- a biological father;
- a partner/husband or civil partner who is not the baby's biological father; and
- a mother's female partner in a same sex couple.

Statutory Paternity Pay (SPP) rates: Pay the lower of 90% of average weekly earnings, or £108.85

For more information see [www.hmrc.gov.uk](http://www.hmrc.gov.uk), [www.acas.org.uk](http://www.acas.org.uk) or [www.dti.gov.uk](http://www.dti.gov.uk)

## Other Benefits

### Minimum Wage Hourly Rates

(Source: [www.lowpay.gov.uk](http://www.lowpay.gov.uk))

Adult Rate (for workers aged 22+) as at 1 <sup>st</sup> October 2006	£5.35
Development Rate (for workers aged 18-21) as at 1 <sup>st</sup> October 2006	£4.45
16-17 Year Olds Rate as at 1 <sup>st</sup> October 2006	£3.30

HM Revenue & Customs have a minimum wage helpline, 0845 6000 678, which may be of use if you are not sure about any minimum wage details. The minimum wage usually changes on or around the 1<sup>st</sup> October each year.

**From 1 October 2007 the National Minimum Wage will increase again as follows:**

Adult rate (workers aged 22 and over) will increase to	£5.52
Development rate for 18-21 year olds will increase to	£4.60
Development rate for 16-17 year olds will increase to	£3.40

## Statutory Redundancy Pay

(Source: <http://www.dti.gov.uk/employment/employment-legislation/employment-guidance/page33157.html>)

For redundancies made on or after 1 October 2006, the amount will be calculated as follows:

- Up to the age of 21 - 0.5 week's pay for each completed year of service
- 22 - 40 years of age - 1 week's pay for each completed year of service
- 41+ years of age - 1.5 weeks' pay for each completed year of service

## Holiday Pay

Employees are currently entitled to a minimum of 4 weeks paid annual leave (including public and Bank Holidays). Holiday entitlement accrues from the first working day. Generally speaking an employee accrues approximately one and a half days holiday per month.

**For more information about holiday entitlement speak to your Support Officer, ask for Information Sheet 10 – Staff Leave and Sickness, or go to [www.shaw-trust.org.uk/dp](http://www.shaw-trust.org.uk/dp).**

## Travel Expenses

Local Authorities may or may not allow you to pay your Personal Assistant's mileage costs out of Direct Payments. This will depend on their policy on this issue and the requirements defined within the care package. Please ensure that you discuss this with your Social Worker when your care package is being assessed or at any time if the requirement arises.

If it is agreed by Social Services that your Personal Assistant can claim mileage for journeys associated with carrying out their employment duties, there are a number of things you will need to consider:

- The Inland Revenue requires you as the employer to keep a record of all mileage claimed and paid to your Personal Assistant.

- You will need to determine what you consider to be a fair mileage rate to pay and also whether it includes elements relating to 'wear and tear', insurance etc. There is no hard and fast rule about what a fair mileage rate is but for more advice contact the Inland Revenue or go to their website at [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk).
- Other forms of transport and associated costs may be relevant to your overall care package. These might include public transport costs associated with yourself, your PA or both. Because each Local Authority has its own policies and procedures to determine whether such costs can be supported out of Direct Payments, discuss this aspect with Social Services or your local DPSS Support Officer.

## Stakeholder Pensions

Introduced in 2001 these are a form of personal pension available to almost everyone - workers, non-earners, people already in company schemes and the self-employed. Tax relief is available on contributions.

Organisations employing five or more people who earn over the lower earnings limit are obliged to offer access to a stakeholder pension scheme (from 8 October 2001) if they do not already offer pension provision, however some employers will be exempt. To find out more about stakeholder pensions and who is affected speak to your Support Officer or go to:

<http://www.hmrc.gov.uk/stakepension/>

or telephone the HMRC Employers Helpline on 0845 714 3143.