



National Living Wage – Is your business ready for 1 April 2020?

From 1 April 2020, nearly three million workers are set to benefit from increases to the National Living Wage (NLW) and minimum wage rates for younger workers, according to estimates from the independent Low Pay Commission.

From 1 April 2020, the NLW will rise from £8.21 per hour to £8.72 per hour.

The new rates should mean a pay rise of some £930 over the course of the year for a full-time worker on the NLW. Younger workers who receive the National Minimum Wage (NMW) will also see their pay boosted with increases of between 4.6% and 6.5%, dependant on their age, with 21-24 year olds seeing a 6.5% increase from £7.70 to £8.20 an hour.

Employers need to make sure they are ready for the new rates.

The compulsory NLW is the national rate set for people aged 25 and over. The NLW is enforced by HMRC alongside the national minimum wage which they have enforced since its introduction in 1999.

Generally, all those who are covered by the NMW, and are 25 years old and over, will be covered by the NLW. These include:

- employees
- most workers and agency workers
- casual labourers
- agricultural workers
- apprentices who are aged 25 and over

The NMW is the minimum pay per hour that most workers are entitled to receive by law. The rate to which they are entitled depends on a worker's age and whether they are an apprentice.

The rates from 1 April 2020, the NMW will rise across all age groups, including increases:

- from £8.21 to £8.72 for over 25 year olds
- from £7.70 to £8.20 for 21-24 year olds
- from £6.15 to £6.45 for 18-20 year olds
- from £4.35 to £4.55 for under 18s
- from £3.90 to £4.15 for apprentices

NMW calculations

Payments that must be included when calculating the NMW are:

- income tax and NICs
- wage advances or loans and repayments
- repayment of overpaid wages
- items that the worker has paid for, but which are not needed for the job or paid for voluntarily, such as meals
- accommodation provided by an employer above the offset rate (£7.55 a day or £52.85 a week)
- penalty charges for a worker's misconduct