



# Essential Update for Employers

September 2010

This briefing provides a practical summary of recent developments affecting employers including where relevant the related tax considerations.

## New National Minimum Wage

The standard rate of the National Minimum Wage (NMW) will rise from £5.80 to £5.93 per hour on 1 October 2010. **The age from which the principal rate becomes payable will fall from age 22 to 21.**

The rate for employees between 18 and 20 years old will rise from £4.83 to £4.92 per hour on 1 October 2010.

The rate for employees aged below 18 who have ceased to be of compulsory school age rises from £3.57 to £3.64 per hour on 1 October 2010.

A new apprentice minimum wage of £2.50 per hour is also being introduced for apprentices aged under 19, or aged 19 and over but in their first year of apprenticeship, who are employed under a contract of apprenticeship or who are engaged under certain Government arrangements in England, Scotland, Northern Ireland and Wales.

## Changes to employer provided childcare

### Introduction

To encourage parents with child caring responsibilities to return to work, a system of tax relief for the provision of childcare facilities by employers started on 6 April 2005. From that date, certain childcare provided or paid for by employers was made free of tax and National Insurance contributions (NICs) for the employees.

Most typically, the employer arranges for the provision of childcare vouchers to their employees to provide them with qualifying childcare. Provided all the conditions are met, the employee can at present receive an exempt benefit of up to £55 per week, regardless of whether they are basic rate or higher rate taxpayers.

### The April 2011 changes

The aim of the changes is to reduce the income tax and NIC relief of higher rate taxpayers who are in childcare voucher schemes to the same amount as the relief received by basic rate taxpayers. This is achieved by reducing the amount the employer can pay without giving rise to a benefits charge.

At present, basic rate taxpayers can receive tax relief of up to £11 (£55 at 20%). From 6 April 2011, to restrict the amount of tax relief that employees taxable at higher rates receive so that it is the same as that received by basic rate taxpayers, the amount that is exempt from the benefits charge will be restricted to:

- £28 for employees whose 'basic employment earnings' exceed the sum of their annual personal allowance and the basic rate limit for the year but fall below the threshold for the 50% income tax rate, and
- £22 for employees whose basic employment earnings' exceed the sum of their annual personal allowance and the threshold for the 50% income tax rate.

The changes do not affect employees who are already in a scheme at 6 April 2011. These employees will continue to enjoy exemption for the full £55 per week, effectively giving them tax and NICs relief at their highest rate of tax. Such employees will continue to be exempt from a benefits charge on the first £55 until they leave the scheme or are no longer able to benefit from it, for example because they have no children who are receiving qualifying childcare.

It is not possible to join a scheme in advance of a child's birth to bring yourself within the pre-April 2011 rules.

## **Equality Act 2010**

The Government Equalities Office has confirmed that the first phase of implementation of the Equality Act 2010 will go ahead to the planned October 2010 timetable.

The Equality Act 2010 will harmonise and consolidate discrimination law across the different 'strands' that currently exist. In addition, the Act will introduce some wholly new provisions to support progress on equality, such as dual discrimination, the extension of direct discrimination and harassment to cover associative and perceptive discrimination and harassment and the extension of third party harassment.

The Government Equalities Office has also published a number of short 'summary guides' to support implementation of the Act. These will be followed in due course by a series of 'quick start guides' to the key changes in the law. These guides set out what the new laws will mean for business, the public sector, the voluntary sector and the general public, helping people understand their new rights and responsibilities.

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