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# Deductions from wages

## Nicky Ackerley BA(Hons)

In this world nothing is certain but Death and Taxes – so said Benjamin Franklin.

You will be aware that deductions are made from your wages.

The main ones are Income Tax, sometimes called PAYE (or Pay As You Earn) and National Insurance.

Income Tax is a tax that everyone pays to the government once they earn over a certain amount. The money you are paid and do not pay tax on is called a personal allowance. Currently this is £11,500 a year. (There are a few exceptions). Your tax code should appear on your pay slip and this tells your employer how much tax to deduct from your wages or salary. The tax code currently used for most people who just have one job is 1150L.

National Insurance contributions are paid and the amount deducted from your salary so you can qualify for certain benefits and the State Pension.

You pay National Insurance if you're 16 or over and either:

- an employee earning above £157 a week
- self-employed and making a profit of £6,025 or more a year

There are difference 'classes' of National Insurance contributions, most of us are in class 1 and pay 12% of our wages in National Insurance contributions.

You may have a student loan and your employer will be directed to deduct money from your wages to repay this load.

Your employer can be required to make deductions from your salary for child maintenance or Court Orders, you employer has to make these deductions if ordered to do so.

Have you agreed in writing to allow your employer to make any deductions? Or is there anything in your employment contract that says they can do this? Apart from any legal requirements for your employer to make deductions as above (Tax, NI, Student Loan, Court Order, Child Support) they have to have your permission to take money. If this permission is not in place, then it is illegal.

It is legal for your employer to deduct wages if:

- You agree in writing to a deduction.
- Your contract of employment says they can.
- It is a result of any statutory disciplinary proceedings.

Quite commonly your employer will make an agreement with you that you will repay training costs, very often this is on a sliding scale and the longer you leave after the training has been completed the less you have to repay. This agreement must be either in your contract or can be a separate agreement that you have made with your employer.

Pay and wages – and the difference

Your wages are slightly different to your pay. Wages are the amount you are paid by your employer in connection to your job. Pay is the basic amount you should be paid (for example your monthly or hourly pay rate). Your wages could include:

- any fees, bonuses, commission, holiday pay or other payments connected with your job
- statutory payments (such as Statutory Sick Pay or Statutory Maternity Pay)
- luncheon vouchers, gift tokens or other vouchers of fixed value that can be exchanged for money, goods or services

Your wages will not include:

- loans or advances of wages
- payments of expenses incurred in employment
- pension and redundancy payments
- lump sums on retirement or in compensation for loss of office
- payments in kind (other than vouchers or tokens that can be exchanged or have a fixed value)
- tips and other gratuities

**For further support with this or any other HR issue, BVNA members can call the BVNA Advisory Service Helpline on 01822 870270 or email nickyackerley@hrsupportconsultancy.co.uk.**

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