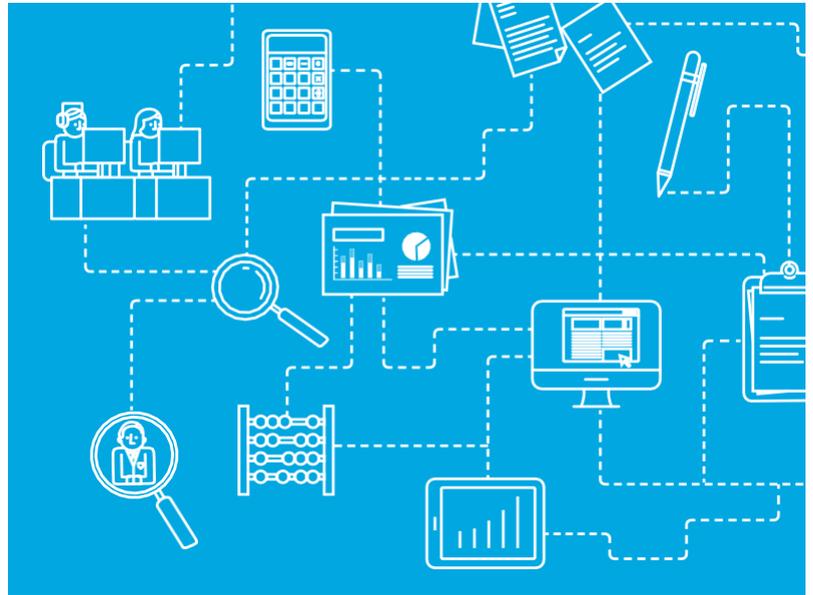


# National Minimum Wage audit – giving you the comfort of compliance



The National Minimum Wage (NMW) applies to all employees including apprentices and workers working in the UK. The rates vary from £4.15 to £8.72 per hour depending on age. This year it is estimated that 14 per cent of the UK workforce will be paid at NMW.

Whilst paying NMW may seem straightforward, it is far more complex than it seems. There are a number of factors which affect whether you are paying NMW and it is easy for genuine errors to be made.

HMRC enforces NMW, targeting at-risk sectors by inspecting business records and working practices.

It's vital that you understand your NMW position, understand the sanctions, and ensure that your organisation is compliant.

An audit can help you achieve this.

In 2018/19,

 **220,000 workers** were underpaid

 **£24.4m was in arrears** leading to financial penalties of

 **£17m** and

 **Over 1000 employers** received penalties

## Common reasons for paying less than the NMW:



Inaccurate data and incomplete record keeping



Uniform deposits and accommodation



Payroll systems not accounting for age related NMW rate changes



Salary sacrifice / deductions from pay



Pay averaging



Working time, rest breaks, training and travel



Sleep-in / on call shifts



Interns, work experience and volunteers

## What are the sanctions?

- If HMRC starts an investigation and finds an employer is not paying NMW, automatic financial penalties are imposed and the employer will be named and shamed if the underpayment exceeds £500 (£100 in certain circumstances). Genuine error is not an excuse for non-compliance. The sanctions can include:
- repaying underpayments going back six years (five in Scotland);
- paying a financial penalty of 200 per cent of underpayment (max £20,000 per worker);
- facing reputational damage through public name and shaming; and
- facing criminal prosecution.

## How can RSM help?

Complying with NMW requires specialist knowledge, knowing how to spot mistakes and what HMRC look for during an inspection. RSM's team of employment lawyers and employment tax specialists have regular dealings with HMRC and can conduct a NMW audit to identify and help you correct any issues, saving your business from financial penalties and reputational damage.

Our audit services might include:

- auditing your payroll;
- reviewing your working practices;
- checking your record keeping procedures are legally compliant;
- providing a report setting out the issues and a recommended course of action; and
- guiding you through a process of correcting mistakes.

If you are subject to a NMW inspection by HMRC, we can support you through the process to mitigate settlements, reduce penalties and limit reputational damage.

## At risk sectors targeted by HMRC:

- Recruitment
- Retail
- Cleaning
- Leisure and hospitality
- Childcare
- Manufacturing
- Construction
- Social care
- Hairdressing and beauty

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