

United Kingdom National Minimum Wage Guide

2025-2026



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Overview

1. What Is the National Minimum Wage?

The National Minimum Wage (NMW) is the legal minimum hourly pay for most UK workers. Under the National Minimum Wage Regulations 2015, all eligible workers must be paid at least this rate for every hour they work.

The rate a worker is entitled to depends on:

- Their age.
- Whether they are an apprentice.
- If they fall under the National Minimum Wage (NMW) or the National Living Wage (NLW) (for those aged 21 and above).

2. Who Qualifies for the National Minimum Wage?

An individual is entitled to the National Minimum Wage if they meet all the following conditions:

- They are a worker.
 - They work or usually work in the UK under their employment contract.
- They are at least school-leaving age (16 or older).

The minimum wage applies regardless of contract terms that state otherwise. Even if a contract says otherwise, workers must still be paid at least the National Minimum Wage (NMW) or, if aged 21 or over, the National Living Wage (NLW).

Eligible groups include:

- Part-time workers
- Casual labourers (e.g. one-day hires)
- Agency workers
- Piece workers (paid per item produced)
- Apprentices
- Trainees and probationary workers
- Disabled workers
- Agricultural workers
- Foreign workers
- Seafarers

- Offshore workers
- Individuals who are not related to the employer but live in the employer's home, participate in both work and leisure activities, and are treated as part of the family (e.g. au pairs)

Apprentice Wage Entitlement

Apprentices are entitled to the apprentice rate if they are:

- Under 19, or
- 19 or older and in the first year of their apprenticeship.

Once an apprentice aged over 19 completes their first year, they must be paid the minimum wage for their age.

3. Who Does Not Qualify for the National Minimum Wage

The following groups are excluded from receiving the NMW/NLW:

- Volunteers and voluntary workers
- Self-employed individuals running their own business
- Company directors
- Participants in government employment programmes (e.g. the Work Programme)
- Members of the armed forces
- Family members living with and working for a family business
- Children under school-leaving age (typically under 16)
- Higher or further education students on placements (up to 1 year)
- Individuals shadowing workers without performing duties
- Pre-apprenticeship scheme participants
- Participants in EU programmes (Leonardo da Vinci, Erasmus+, Comenius)
- People on Jobcentre Plus Work Trials (up to 6 weeks)
- Share fishermen
- Prisoners
- Members of religious communities living and working within the community

4. Calculating the Minimum Wage

4.1. Pay Reference Period

A worker's pay reference period is:

- One calendar month, or
- A shorter period if the worker is paid more frequently (e.g. weekly).

A pay reference period can never exceed one calendar month.

The timing of when wages are actually paid does not affect the pay reference period; what matters is the period the wages cover.

- When a worker starts: Their first pay reference period begins on the start date of their contract and ends in line with the usual pay cycle.
- When a worker leaves: Their final pay reference period ends as it normally would, even if their contract ends before that date.

4.2. Calculate Hours Worked in a Pay Period

Employers must pay workers at least the National Minimum Wage (NMW) for all hours worked in each pay reference period. The hours to be counted depend on the type of work performed. If a worker performs different types of work for different employers, hours are calculated separately for each type of work.

4.2.1. Salaried Workers

A worker is considered to be performing salaried work when all of the following conditions are met:

- The worker is entitled, under their employment contract, to receive an annual salary or an annual salary with a performance bonus.
- The contract specifies a clear and fixed number of basic hours the worker is expected to work each year (i.e., the contractual hours for the year).
- The worker is not entitled to any additional payments for these basic hours, except for a performance bonus and/or a salary premium (as permitted from 6 April 2020).
- The salary is paid in equal instalments, whether monthly, weekly, fortnightly (two-weekly), every four weeks, or in other equal periods.

If the instalment payments stay the same, workers can still be classified as salaried hours workers, even if they work more hours in some weeks or months and fewer in others.

4.2.1.1. Salaried Hours Contract

A contract qualifies as a salaried hours contract if it:

- Sets a basic annual number of hours.
- States entitlement to an annual salary.

These hours can be calculated as follows:

- Monthly: Annual hours $\div$ 12
- Weekly: Annual hours $\div$ 52
- Fortnightly (two-weekly): Annual hours $\div$ 26
- Four-weekly: Annual hours $\div$ 13

Even with flexible schedules, if annual hours are clear and a set salary is paid, it qualifies.

4.2.1.2. How is the Calculation Year Set?

Monthly Paid Worker (After 1 April 1999)

- Start on the 1st of the month: The calculation year runs from the 1st of that month to the end of the previous month next year.
 - Example: Start date = 1 May 2025 → calculation year = 1 May 2025 to 30 April 2026.
- Start after the 1st: The first year will run from the start date to the end of the current month's pay period, then follow a regular 12-month pattern.

Example: Start date = 10 April 2025 → first year = 10 April 2025 to 30 April 2026, then 1 May to 30 April going forward.

Weekly Paid Worker (After 1 April 1999)

The calculation year begins on the first day of employment and runs yearly from that date.

Example: Start date = 10 April 2025 → calculation year = 10 April to 9 April annually.

Two-Weekly or Four-Weekly Paid Workers (Employed after 6 April 2020)

The calculation year begins on the first day of employment and runs yearly from that date.

Example: Start date = 4 April 2025 → calculation year = 4 April to 3 April.

4.2.1.3. Hours That Count for Minimum Wage

A salaried worker is counted as working (for minimum wage) when they are:

- Physically at work and required to be there.

- On standby or on-call at or near the workplace (excluding when at home).
- Present at the workplace but unable to work (e.g. due to equipment failure).
- Travelling for business purposes.
- Attending training or travelling from the workplace to a training location.

4.2.1.4. Hours That Do Not Count for Minimum Wage

- Time paid below normal rate (e.g. statutory sick pay).
- Unpaid leave, strikes, or unworked hours.
- Times when the worker is not actively working but is available for work.
 - When the worker is permitted to sleep at or near the workplace, and appropriate sleeping facilities are provided (see Sleep-in Shifts)
 - Time spent at home
- Non-required training
- Commuting (unless work is done while commuting)
- Absences: If full pay is given for absences (like sick leave), those hours count as worked time. If paid at a reduced rate or unpaid, they do not count toward minimum wage hours.
- Salary premium: A salary premium is extra pay on top of a worker's annual salary for performing work during:
 - Specific times (e.g. nights, Sundays)
 - Specific days (e.g. bank holidays)
 - Specific locations or environments (e.g. London, freezer rooms)
 - Specific tasks or responsibilities (e.g. forklift operation, being the only staff present)

As of 6 April 2020, such premiums are compatible with salaried hours of work. However, for minimum wage purposes, only the standard rate (excluding the premium) counts.

Example: If £10/hour is the normal rate and £5/hour is added for Sundays, only £10/hour counts toward the minimum wage.

4.2.1.5. Adjustments for Salaried Workers

Working Up to Basic Hours

If a salaried worker only works up to their contracted basic annual hours, their salaried hours for each pay period should be calculated by dividing the basic annual hours by the number of pay periods in the year. SEE EXAMPLE FOR ILLUSTRATION.

Working Above Basic Hours

If a salaried worker (who is not paid for extra hours) works more than their basic annual hours during the calculation year, all additional hours must be included when assessing minimum wage compliance.

Starting Employment Mid-Year

When a monthly paid worker starts employment during the year, their initial calculation year may be longer than 12 months. If the first pay reference period is shorter than a full month, a pro-rata calculation is required to determine the time treated as worked during that initial period.

Use the pro-rata formula:

$$\text{Pro-rated hours} = B \times N \div 365$$

Where:

- B = Basic annual hours
- N = Number of days in the shortened pay period

Note:

This pro-rata calculation is not needed if the worker is paid weekly or monthly and works the entire pay reference period. SEE EXAMPLE FOR ILLUSTRATION.

Leaving Employment Mid-Year

If a salaried worker leaves before completing the full calculation year, the employer must pro-rata the basic hours to reflect the period actually worked. This ensures compliance with minimum wage requirements. SEE EXAMPLE FOR ILLUSTRATION.

Contract Changes During the Year

If a salaried worker's contract changes during the calculation year (e.g. a change in contracted hours), the basic annual hours must be adjusted proportionally. The hours treated as worked for each pay period should reflect this updated contract and be evenly distributed over the relevant period.

4.2.2. Time Worker

If a worker is paid based on the number of hours they work, this is considered time work. Time work rules also apply when a worker is paid based on their output, but is required to work a set number of hours each day. For minimum wage purposes, pay for time work is calculated based on the total hours worked during the pay reference period.

4.2.3. Output Worker

Output work refers to jobs paid only based on the number of items produced or tasks completed, such as piece work or commission-based tasks. It applies when:

- No fixed working hours are set, and
- The worker can choose when to start and stop work.

If specific working hours are fixed, this is treated as time work for minimum wage purposes and not output work.

For workers doing output work, you must either:

- Pay at least a fair piece rate for each item produced or task completed (this is known as rated output work), or
- Pay at least the National Minimum Wage for the time spent doing the work (if it does not qualify as rated output work).

To use fair piece rates, two conditions must be met:

- The work must qualify as rated output work under minimum wage rules.
- You must provide the worker with a written notice explaining how their pay is calculated.

If either condition is not met, you are required to pay the worker at least the minimum wage for every hour worked.

4.2.3.1. Travel Time

Output workers must be paid at least the minimum wage for time spent travelling for work purposes (e.g. between appointments).

Travel between home and the usual workplace is not included. However, if the worker does output work from home, travel to other required locations does count.

4.2.3.2. Absences

Time away from work (e.g. holidays, sick leave, parental leave) does not count as working time for minimum wage purposes.

If separate payments are made for these absences (e.g. reduced sick pay), those amounts must be excluded from minimum wage calculations. These payments are typically identifiable on payslips as they differ from standard output pay.

4.2.4. Unmeasured Worker

Unmeasured work refers to work that does not fall under salaried hours, time work, or output work because it does not meet all their specific criteria. For example:

- A worker is assigned varying tasks and not paid per task (not an output worker),
- Pay is not based solely on time worked (not time worker),
- And there is no annual salary (not a salaried hours worker).

Example:

A live-in carer paid a flat rate for a 24-hour shift, regardless of how many tasks are performed or actual hours worked, is doing unmeasured work.

4.2.4.1. Recording Hours for Minimum Wage:

For minimum wage compliance, employers must either:

- Record all hours worked, or
- Agree on a 'daily average' of hours likely to be worked.

4.2.4.2. Daily Average Agreements Must:

- Be in writing,
- Be agreed in advance (before the pay reference period starts),
- State the realistic daily average hours expected based on the job duties.

4.2.4.3. Travel Time

Unmeasured workers must be paid at least the minimum wage for time spent travelling for work purposes. Travel between home and the usual workplace does not count, but for homeworkers, travel to required locations does count.

4.2.4.4. Absences

Time away from work (e.g. holiday, sick leave, parental leave) does not count as hours worked. If absence is paid separately (e.g. reduced sick pay), those payments should be excluded from minimum wage pay calculations.

4.2.5. Timesheet Workers

Hours recorded on a timesheet count towards the pay reference period in which the work was actually done. The worker must be paid for those hours either within that same pay reference period or the next one. However, if a timesheet is submitted late, defined as fewer than four working days before the end of the pay reference period following the one in which the work was done, a special rule applies under Regulation 9(2)(c) of the National Minimum

Wage Regulations 2015. In such cases, employers have until the end of the next pay reference period (after the one in which the timesheet was submitted) to make the payment. The payment will still count towards the period when the work was originally performed.

If underpayment occurs, it can be corrected in the next period, but only if the extra pay clearly relates to the shortfall. The same pay cannot be counted for more than one period.

When minimum wage rates increase, the new rate applies from the start of the first pay reference period beginning on or after the change. The same rule applies when a worker becomes eligible for a higher rate due to age.

4.3. Calculate the pay for the pay period

For National Minimum Wage purposes, remuneration includes all amounts paid by an employer to a worker during the pay reference period in which the work was done, as well as amounts relating to that period but paid in the following one. For workers who submit timesheets, payments can only be backdated by one pay reference period to match the period worked. Any payments made later than this must be counted in the period in which they are actually paid.

4.3.1. What Is Included?

Type of Payment	Explanation	Examples
Basic Pay	Standard contractual wages	
Bonuses	Count if paid in the pay reference period	Christmas or discretionary bonuses. Annual bonuses may be spread proportionally across pay reference periods. SEE EXAMPLE FOR ILLUSTRATION.
Commission & Incentives	Only if directly linked to the worker's performance	Sales, commissions, incentive payments and merit-based pay.
Payments in Lieu of Absence	Payments of untaken holiday pay count in the pay reference period when made	Holiday pay paid out instead of leave

Other Considerations

Different pay rates for different pay jobs: If a time worker or output worker is paid different standard rates for separate duties (rather than premium rates for the same duty), each rate can be fully included in the NMW calculation.

4.3.2. What is Excluded?

These amounts may form part of the worker's total remuneration, but they must be excluded when calculating minimum wage pay.

Type of Payment	Explanation
Advance loans or wages	Advance payments of salary or employer loans
Pensions/Retirement	Pension contributions, retirement allowances, redundancy pay, gratuities
Court Awards or Settlements	Tribunal settlements or damages
Redundancy Pay	Statutory or contractual redundancy pay
Staff Suggestion Scheme Payments	Payments given for employee suggestions
Benefits in kind, excluding living accommodation	
Vouchers & Exchangeable Documents	Vouchers or stamps or similar documents exchangeable for money, goods or services
Service Charges & Tips	Tips, gratuity or cover charges
Shares, Securities, Options	Shares, securities, share options, or partnership shares
Allowances (performance-related)	Allowances linked to the workers' performance: Attendance allowance, punctuality allowance, on-call allowance, unsocial working time allowance, shift allowance and key holder allowance
Allowances (circumstantial-related)	Allowances based on the worker's personal or working circumstances: Qualification allowance, training allowance, relocation allowance or location-based allowance.
Absence Payments	Payment in respect of absence from work Salaried Workers: If the contract does not guarantee full salary during absences, any payment made for that absence reduces the worker's total remuneration. Time Workers: Payments for absence (e.g. sick pay, holiday pay) are excluded from total pay when calculating NMW. Unmeasured or Output Workers: Payments received for absences reduce total remuneration if they can be clearly linked to the period of absence.
Premium Pay	Extra pay above the basic rate

	Overtime, night shifts, or bank holidays. SEE EXAMPLE FOR ILLUSTRATION.
Industrial Action Payments	Pay given during strikes, work-to-rule, or other industrial action

4.3.3. Deductions and Worker Payments That Reduce Minimum Wage Pay

Type of Payment	Explanation
Employer's Own Use or Benefit	Any payments made by the worker for the employer's own use or benefit (not a personal liability of the worker) reduce NMW pay.
Uniform	If workers must buy required clothing (whether from the employer or a third party), the cost reduces NMW pay.
Administrative Charges & Fees	Deductions for third-party payments (e.g. court orders) do not reduce NMW pay. However, employer admin fees do reduce pay, even if the deduction itself is legally required. For example, a £1 fee under an Attachment of Earnings Order is only permitted if it does not take pay below NMW.
Meals	Meal deductions from wages reduce NMW pay, even if agreed. Paying separately (e.g. after payday with personal funds) does not affect NMW calculations.
Transport Deductions & Travel Payments	If an employer deducts pay for travel to/from work, it reduces NMW pay (unless paid to a third party). Deductions for employer-arranged transport are treated as benefiting the employer and reduce pay.
Training Costs	If the employer requires training or exams, any costs charged to the worker reduce NMW pay. Voluntary, unrelated courses (where the cost is the worker's own liability) do not reduce NMW pay.
Salary Sacrifice Schemes	A salary sacrifice is when a worker agrees to give up part of their wages in exchange for a benefit (e.g. pension contributions, childcare vouchers, cycle-to-work schemes). It is treated as a reduction in pay rather than a deduction, because the worker no longer has a right to that portion of pay. Each salary sacrifice arrangement reduces the worker's pay for NMW purposes. What counts is the substance of the arrangement, not how it is labelled. If the arrangement is actually a deduction from wages, then the standard deduction rules apply

Savings Schemes	If deducted and held by the employer (e.g. Christmas club), NMW pay is reduced. To avoid this, funds should be held by a third party. Returned savings are counted as pay in the repayment period
Personal Protective Equipment (PPE)	If a worker pays for PPE or other legally required equipment, the cost reduces NMW pay, even if they keep the equipment
Employment-Related Expenses	Any job-related costs paid by the worker (or deducted by the employer) reduce NMW pay, unless reimbursed within a reasonable time.

4.3.4. Deduction Payments That Do Not Reduce Minimum Wage Pay

When a deduction is made from a worker's pay, it will reduce the minimum wage pay if it is for expenditure connected with their employment or if it is for the employer's own use and benefit.

However, the following deductions from workers' pay and payments by workers connected with their employment do not reduce their minimum wage pay:

- Statutory deductions like income tax, National Insurance, and student loans
- Deductions for misconduct or related issues (if contractually agreed)
- Repayments for wage advances or loans
- Payments for shares or partnerships
- Recovery of wage overpayments
- Deductions not connected to employment or for the employer's own use and benefit for example, trade union subscription.
- Voluntary payments for goods or services (e.g. canteen meals), provided they are not deducted from wages.
- Certain deductions from pay and payments by the worker for accommodation if the charge for the accommodation is at or below a certain level.

4.4. Living Accommodation Rules

4.4.1. When Is an Employer Considered to Be Providing Accommodation?

An employer is regarded as providing accommodation in the following situations:

- The accommodation is part of the job offer.
- The employer or a connected person (e.g. a company owner or director) owns or rents the property where the worker lives, even if the accommodation is not directly tied to the job.

- The employer or a connected person receives payment or a benefit from the worker's landlord or a member of the landlord's family.

Accommodation from Local Authorities or Social Housing Providers

Accommodation supplied by a local authority or social housing provider does not automatically count toward National Minimum Wage (NMW) or National Living Wage (NLW) calculations.

It only counts if living in the accommodation is a job requirement, such as for a live-in care warden.

Accommodation from Higher or Further Education Institutions

If a worker is enrolled full-time at a university or college that provides their accommodation, it does not count toward NMW/NLW calculations.

4.4.2. Accommodation Offset Rates

From April 2025, the rates are:

- £10.66 (daily rate)
- £74.62 (weekly rate)

Important note: Rates are updated annually each April.

4.4.3. Effect on the Minimum Wage

Amount Employer Charges	How to Calculate NMW	Example
Nil	Workers' pay is increased by the notional amount of the workers' accommodation offset	Employee 25 Works 30 hours per week at £10.60 per hour Paid weekly Provided free accommodation for 7 days per week Calculation: Weekly pay: $£10.60 \times 30 = £318.00$ Accommodation offset: $£10.66 \times 7 = £74.62$

		Adjusted total pay: £318.00 + £74.62 = £392.62 Effective hourly rate: £392.62 ÷ 30 = £13.09 This rate is above the NMW of £12.21/hour, so compliant.
At or below the accommodation offset rate	Workers' pay is not affected by the amount charged for the accommodation	Employee 20 Paid £10.30/hour, working at or below NMW Employer charges £6.50/day for accommodation Since £6.50/day is below the offset rate of £10.66, the charge has no negative impact on NMW compliance. No adjustment needed, NMW unaffected.
Above the accommodation offset rate	Workers' pay is reduced by the amount the employer charges in excess of the accommodation offset	Employee 35 Paid £12.45 per hour, works 40 hours per week, paid every 3 weeks Employer charges £11.50 per day for 21 days (7 days × 3 weeks) Calculation: 3-week gross pay: £12.45 × 40 hours × 3 weeks = £1,470.00 Accommodation charge: £11.50 × 21 days = £241.50 Offset allowance: £10.66 × 21 days = £223.86 Excess accommodation charge: £241.50 - £223.86 = £17.64 Adjusted net pay: £1,470.00 - £17.64 = £1,452.36

		This reduced pay must still be assessed to ensure it meets the NMW over the 3-week period.
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4.4.4. What counts as accommodation charges

- Rent
- Gas or electricity
- Furniture
- Laundry

4.5. Determine the Applicable Minimum Wage Rate

4.5.1. National Minimum Wage and National Living Wage rates

The rates below apply for the 2025-2026 tax year, effective 1 April 2025:

- £12.21 (aged 21 and over)
- £10 (aged 18 to 20)
- £7.55 (aged under 18)
- £7.55 (apprentice rate)

Rates are reviewed and updated every April. You can view the current HMRC rates [here](#).

4.5.2. Check the minimum wage paid to the worker:

Steps to Check Minimum Wage Compliance

- Calculate the average hourly rate for the pay reference period: $\text{Average hourly rate} = \frac{\text{Total pay for the period}}{\text{Total hours worked}}$
- Identify the applicable minimum wage rate based on the worker's age and status.
- Compare the two rates: Ensure the average hourly rate is not below the relevant minimum wage. If it falls short, you must top up the worker's pay to meet the minimum wage requirement.

5. Underpayment and Arrears

5.1. How Arrears Are Calculated

If a worker was underpaid, the employer must repay the arrears using the current minimum wage rate for the age band the worker was in at the time of the underpayment.

- If the current rate is higher than the rate at the time of underpayment, the repayment may exceed the original shortfall.
- If the current rate is lower, the worker is owed the actual amount underpaid.

To Calculate Arrears:

- Determine the amount the worker was underpaid in the original pay period.
- Divide this amount by the minimum wage rate that applied at the time.
- Multiply the result by the current minimum wage rate.

If the minimum wage rate increases before arrears are paid, the worker is entitled to additional arrears based on the new, higher rate.

5.2. Notices of Underpayment

Under Section 19 of the National Minimum Wage Act 1998, a Notice of Underpayment may be issued if a worker has been underpaid. The amount owed is calculated for each pay reference period.

For each period, the worker is entitled to the higher of:

- The original underpaid amount at the time; or
- The recalculated amount using the formula:
Underpayment ÷ Original NMW rate × Current NMW rate
- Where:
 - Original NMW rate = rate that applied at the time of the underpayment.
 - Current NMW rate = rate in force when the notice is issued, based on the worker's age at the time of underpayment.

If the employer paid full arrears before the rate increase, the "current rate" used is the rate at the time the arrears were paid.

The notice will detail:

- Underpayments for each worker and pay period
- Total arrears still owed (after deducting any payments already made)

Even if the employer pays only the original underpayment, the uplifted arrears must still be paid in full.

Only underpayments from 6 April 2009 onwards are considered to calculate penalties.

6. Legal Framework

6.1. National Minimum Wage Act 1998

The National Minimum Wage Act 1998 is the primary legislation establishing the legal right to a minimum wage in the UK. It sets out:

- Who is entitled to receive the minimum wage
- How the minimum wage should be calculated
- Penalties for non-compliance

The Act forms the foundation for all minimum wage rules and enforcement actions and applies to most workers in the UK, including part-time, casual, and agency workers.

6.2. National Minimum Wage Regulations 2015 (SI 2015/621)

Building on the Act, the National Minimum Wage Regulations 2015 provide detailed guidance on applying the minimum wage in different working arrangements. Key areas covered include:

- Calculation of working time and pay for salaried hours, hourly rates, output-based pay, and irregular hours
- Definition of what counts as pay
- Impact of deductions and additional payments on minimum wage calculations
- Use of pay reference periods for compliance

6.3. HMRC Guidelines

The HMRC National Minimum Wage Manual provides practical and technical guidance for employers and enforcement officers. It includes:

- Worked examples and real-world scenarios
- Guidance on complex areas such as uniform deductions, salary sacrifice, unpaid time, and holiday or sick leave
- Interpretation of the legislation to ensure payroll compliance

6.4. GOV.UK Guidance

The government's GOV.UK website offers straightforward guidance for employers and workers, including:

- Current NMW and National Living Wage rates
- How to check if workers are being paid correctly
- Steps to take if a worker is underpaid
- A minimum wage calculator
- Enforcement procedures and advice on avoiding common payroll errors

7. Examples

Example 1: Salaried Worker - Basic Hours Worked

Monthly Paid Worker:

- Annual basic hours: 2,080 hours
- Calculation year: 1 January 2025 – 31 December 2025
- Monthly hours:
 - $2,080 \div 12 = 173.33$ hours per month

Weekly Paid Worker:

- Annual basic hours: 2,088 hours
 - Calculation year: 7 January 2025 – 6 January 2026
 - Weekly hours:
 - $2,088 \div 52 = 40.15$ hours/week
-

Example 2: Salaried worker - Midyear Starter

Scenario: A 20-year-old worker starts employment with a retail clothing chain on 10 April 2024. Their contract includes 2040 basic hours for the full calculation year. The standard calculation year is from 1 January to 31 December.

Step 1: Identifying the Calculation Year

- The standard calculation year is from 1 January to 31 December.
- For this worker, the first calculation year is adjusted to reflect the mid-year start from 9 April 2025 to 30 April 2026.

Step 2: Determine the Average Basic Hours

- Monthly basic hours: $2040 \text{ hours} \div 12 \text{ months} = 170 \text{ hours per month}$
- This monthly figure applies regardless of the actual hours worked, provided they stay within their annual basic hours.

Step 3: Calculate Pro-Rata Hours for Shortened Initial Period

For the first partial pay period, use the formula:

Pro-rated hours = B (Basic annual hours) $\times N$ (Number of days in the shortened pay period) $\div 365$

Where:

- $B = £2040 \text{ hours per year} \times$
- $N = \text{number of days in the shortened period from 9 – 30 April 2025} = 22 \text{ days.}$

$$£2040 \times 22 \div 365 = 122.96 \text{ hours}$$

Thus, the hours treated as worked for this initial pay period are 122.96 hours, followed by 170 hours per month from May 2025 onward.

Total hours worked

- 9 April – 30 April = 122.96
- 1 May – 30 April 2026: $170 \times 12 = 2040$
- Total = 2162.96 hours

Example 3: Salaried worker - Midyear Leaver

Scenario: A 29-year-old worker is employed under an annual salaried hours contract for 2,040 hours per year, which equates to 170 hours per month ($2,040 \div 12$). They leave after 6 months, having worked a total of 1,150 hours.

Step 1: Calculate contractual hours for the employment period:

- $6 \text{ months} \times 170 \text{ hours} = 1,020 \text{ hours}$

Step 2: Determine excess hours worked:

- $1,150 \text{ actual hours} - 1,020 \text{ contractual hours} = 130 \text{ excess hours}$

Step 3: Establish hours to be paid in the final pay period:

- $170 \text{ (monthly basic hours)} + 130 \text{ (excess hours)} = 300 \text{ hours}$

Step 4: Calculate the minimum payable amount:

- $300 \text{ hours} \times £12.21 \text{ (NMW rate)} = £3,663$

Key Point: All excess hours worked beyond the basic contractual hours must be included in the final pay period to ensure compliance with the National Minimum Wage.

Example 4: Different Pay Rates for Different Jobs

Scenario: A worker performs two different roles each week:

- 10 hours of semi-skilled machine work at £12.05 per hour
- 10 hours of cleaning duties at £12.80 per hour

Step 1: Calculate Total Weekly Pay

- $(10 \times £12.05) + (10 \times £12.80) = £120.50 + £128.00 = £248.50$

Step 2: Calculate Average Hourly Rate

- $£248.50 \div 20 \text{ hours} = £12.43 \text{ per hour}$

Step 3: Compare to National Minimum Wage

- The average hourly rate is £12.43/hour above the National Living Wage.

Key Points:

- When a worker is paid different rates for different duties, the average pay across all hours in the pay reference period must meet or exceed the minimum wage.
- Since there is no premium or enhanced rate in this case, no deductions are needed from the total pay for minimum wage calculations.

Example 5: Allocating Bonuses

Scenario: A 21-year-old worker receives a monthly salary of £1,831.50 for 150 hours of work. In November, one-twelfth of their annual bonus is counted towards minimum wage pay. The remaining portion of the bonus is applied in December for minimum wage calculation.

Step 1: Calculate Standard Hourly Rate (January–October)

- $£1,831.50 \div 150 \text{ hours} = £12.21 \text{ per hour}$

Step 2: Allocate Bonus for November

- Portion of bonus: $£500 \div 12 = £41.67$
- Total pay for November: $£1,831.50 + £41.67 = £1,873.17$
- Hourly rate: $£1,873.17 \div 150 = £12.49$

Step 3: Allocate Remaining Bonus for December

- Remaining bonus: $£500 - £41.67 = £458.33$
- Total pay for December: $£1,831.50 + £458.33 = £2,289.83$
- Hourly rate: $£2,289.83 \div 150 = £15.27$

Outcome

In both November and December, the worker is paid above the minimum wage of £12.21 per hour.

Example 6: Increased Overtime Rate

Scenario:

A 30-year-old worker works 40 hours a week, split as follows:

- 30 hours at the basic rate of £12.10 per hour
- 10 hours of overtime at £13.00 per hour

Step 1: Calculate Total Pay and Average Hourly Rate

- $30 \times £12.10 + 10 \times £13.00 = £363 + £130 = £493$
- Average Hourly Rate: $£493 \div 40 \text{ hours} = £12.33 \text{ per hour}$

Step 2: Identify Overtime Premium for Minimum Wage Compliance

- Premium element (amount paid above the basic rate): $£13.00 - £12.10 = £0.90$
- Premium for 10 overtime hours: $£0.90 \times 10 \text{ overtime hours} = £9.00$

Step 3: Deduct Premium from Total Pay

- $£493 - £9.00 = £484$

Step 4: Calculate Hourly Rate for Minimum Wage Purposes

- $£484 \div 40 \text{ hours} = £12.10 \text{ per hour.}$

8. References and Legal Sources

- [The National Minimum Wage Act 1998](#)
- [The National Minimum Wage Regulations 2015](#)
- [HMRC Guide: Low Pay Commission Report](#)
- [HMRC Guide: Calculating the minimum wage](#)
- [HMRC Guide: The National Minimum Wage in 2025](#)
- [HMRC Guide: National Minimum Wage Manual NMW08030 Salaried hours work](#)
- [HMRC Guide: National Minimum Wage Manual NMW08050 Salaried hours work adjustments](#)
- [HMRC Guide: National Minimum Wage Manual NMW08070 Salaried hours work absences](#)
- [HMRC Guide: National Minimum Wage Manual NMW08120 Salaried hours excess](#)
- [HMRC Guide: National Minimum Wage Manual NMW09180 Pay period Holiday Pay](#)

- [HMRC Guide: National Minimum Wage Manual NMW08220 Salaried hours, holidays, and other absences](#)
- [HMRC Guide: The National Minimum Wage and Living Wage](#)
- [HMRC Guide: National Minimum Wage NMW13160 Calculating underpayments](#)
- [HMRC Guide: National Minimum Wage NMWM09040 Pay reference periods](#)
- [HMRC Guide: National Minimum Wage NMWM08035 Examples basic hours](#)

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