HMRC - NMWM07034 - Salaried Hours Work Conditions - Annual Salary

Relevant legislation

The legislation that applies to this page is as follows:

National Minimum Wage Regulations 2015, regulation 21(2) & 21(3)

For a worker to be performing salaried hours work (NMWM07020) they must be working under a contract to do salaried hours work and meet all the necessary conditions (NMWM07025). One of those conditions is that a worker must be paid an annual salary for his basic annual hours.

Is the worker paid an annual salary for the basic hours?

A worker performing salaried hours work must be paid an identifiable annual salary for his basic annual hours (NMWM07020).

The contract may state the actual amount the worker will be paid for his basic hours as an annual salary. For example, a worker is contracted to work 2000 hours per year. His contract entitles him to be paid £45,000 for those hours.

The contract may enable the full amount of the worker’s annual salary for the basic hours to be identified. For example, a contract specifies that an annual salary will be paid but does not give an annual salary figure. However, a monthly amount of £3000 is stated in the contract. It is therefore possible to determine that the worker has an annual salary of £36,000 (£3000 x 12).

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Performance bonuses and other payments for the basic annual hours

For a worker to be performing salaried hours work, he must only be entitled to be paid for his basic annual hours:

His annual salary, and

A performance bonus (if awarded) (NMWM09140)

For example, a worker who gets an above average performance marking and receives a bonus payment as a result can still be performing salaried hours work (provided all the other conditions for salaried hours work are met). However, a worker contractually entitled to an annual salary plus additional payments for his basic hours, such as commission payments, will not be performing salaried hours work as such payments do not fall within the definition of a performance bonus (NMWM09140).

If a worker is paid anything else specifically for the work done in his basic annual hours, he cannot be a salaried hour’s worker but see NMWM07036 for payments which can be made.

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