# #72 HR Newsletter December 2015

Macnaughton McGregor
Training Learning Impact

## Round up of recent news items

### 0.5% Levy on larger companies for Apprenticeships

The Chancellor has announced that an apprentice levy of 0.5 per cent will be introduced for employers in April 2017.

It will be paid through Pay As You Earn, will be set at a rate of 0.5% of an employer's paybill, and each employer will receive an allowance of £15,000 to offset against their levy payment. This means that the levy will only be paid on any paybill in excess of £3 million.

The Government anticipates that this will mean that less than 2% of UK employers will actually pay the levy but shows the Government is trying to rebuild the missing "skills base" for employees.

### IR35 Intermediary companies

The HMRC is consulting on changes to this piece of legislation with a view to cracking-down on intermediary companies.

IR35 legislation covers people who set themselves up as personal service companies: 1–Man limited companies and supply their services to a single employer. By setting up their companies in this way and not as being a standard employee they reduce their income tax.

The Chancellor did confirm that "*the government intends to take action against those who have used or continue to use disguised remuneration schemes and who have not yet paid their fair share of tax*".

The Government is also considering making the Employer responsible for taxes in these cases to put the share of responsibility on both parties, not just the self-employed person.

### Junior Doctors Strike

" 'Tis the season to be jolly……"

The Junior Doctors are planning to strike over changes to their salary, weekend working rates and working hours. The first date (1 December) has been averted but 2 more dates still in the diary for 8th and 16th December if talks falter.

In a demonstration of almost unprecedented unity, 98 per cent of the 37,000 junior doctors balloted voted to strike over the changes, which the British Medical Association (BMA) claims will stop employees refusing to work beyond their statutory hours.

## National Living Wage "Bombshell" (April 2016)

More than half of employers expect their pay bill to rise when the national living wage (NLW) is introduced, prompting a third to consider plans to increase staff productivity, according to a survey by the CIPD and the Resolution Foundation (RF).

Employers in the retail and hospitality sector think they will be worst affected when the NLW comes into force in April 2016 with 79 per cent and 77 per cent respectively predicting they will struggle with the

higher wage costs. And more than two-thirds (68 per cent) of employers in the healthcare sector thought they would also be affected.

Almost a third (30 per cent) of the 1,037 organisations that took part in the survey said they were planning to improve efficiency and productivity to help meet the NLW cost increases and 22 per cent said they would reduce their profits to absorb the outlay.

More than one in 10 (16 per cent) plan to cut overtime and bonuses and 15 per cent said they would raise prices to help cover the costs.

Around 15 per cent of respondents said they would also be reducing the number of employees via redundancies or slowing down recruitment.

The survey of how organisations in low paying sectors will adapt to the NLW also found that employers in the public sector were more likely to slash the size of their workforce with 21 per cent saying they would reduce staff headcount, compared with just 13 per cent of private sector employers.

Perhaps unsurprisingly, smaller organisations were found to be significantly more likely to raise prices in response with a quarter (25 per cent) of those with less than 250 staff reporting they would increase prices, compared with just 10 per cent of larger employers (250 plus staff).

Mark Beatson, chief economist at the CIPD, said the chancellor's NLW was a "bombshell" for most employers when it was announced in July.

PWC were recently quoted as saying this would cost employers an additional £1 billion.