

# Employment Law Fact Sheet No. 3

## PAY STATEMENTS AND DEDUCTIONS FROM PAY



### Pay Statements

All employees are entitled to an individual written pay statement on or before each payday.

The pay statement must itemise:

- Gross pay (before deductions of PAYE and National Insurance);
- The amounts of any deductions and the reasons for which they are made (e.g. trade union subscriptions);
- Net pay (or "take home" pay); and
- Where different parts of the net amount are paid in different ways (e.g. part cheque, part BACS payment), the amount and method of each payment.
- If paying 'rolled up holiday pay' to workers on variable pay and/or hours to simplify the process of managing holiday entitlements for such employees, clearly break down the hourly rate to show the exact portion representing holiday pay. This transparency enables employees to understand their earnings and the method used to calculate their entitlement.
  - For roles with a standard hourly rate, the hourly rate, including holiday pay, generally increases by a formulaic percentage of 12.07% (i.e. the statutory minimum of 5.6 weeks of annual leave).

### Form of pay statement

An employer may choose to give either:

- A pay statement which specifies the amounts and purposes of every deduction separately; or
- A pay statement specifying only the total aggregate amount of all deductions.

In this case it will be necessary to provide a standing statement of fixed deductions specifying the amounts and purpose of each deduction and the intervals at which they will be made.

## Deductions from pay

An employer must not make a deduction from pay unless:

- The deduction is required or authorised to be made by virtue of a statutory provision or a relevant provision of the employee's contract (E.g. PAYE, National Insurance, Child Support Deduction From Earnings Orders, Attachment of Earnings Orders); or

The worker has previously signified in writing his or her agreement to the deduction.

## Further Information

For further information refer to:

[Direct Gov - Running Payroll](#)

## Action Points

- Ensure pay statements are in the correct form as detailed above.
- If you wish to make a deduction from pay ensure that you obtain signed consent in advance. For example, purchase of any equipment, e.g. helmet. If paid for in this way such property remains the employee's on termination.

## Website addresses

[www.direct.gov.uk](http://www.direct.gov.uk)

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