



THE MCCAY PARTNERSHIP
Chartered Accountants

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New holiday pay rules come into effect

Employers will need to account for overtime when calculating holiday pay from 1 July 2015.

The Employment Appeal Tribunal (EAT) ruled in November 2014 that employers must factor in overtime, commissions and bonuses when making holiday pay calculations, instead of only taking basic pay into account.

Holiday pay for employees who receive irregular remuneration will now need to be calculated based on total earnings of the previous 12 weeks.

The changes apply to guaranteed and non-guaranteed overtime:

- guaranteed overtime requires the employer to offer overtime and the employee to work it
- non-guaranteed overtime does not require the employer to offer overtime but requires the employee to work it if offered.

Employees are entitled to launch a claim against their employer within 3 months of the deduction if they believe that overtime has not been included in their holiday pay.

Employees will also be able to make backdated claims for a series of deductions provided that the gaps between deductions are not longer than 3 months. The government responded by amending regulations so that backdated claims cannot go back further than 2 years.

The ruling covers the 4 weeks of annual leave stipulated by the EU Working Time Directive and not the full 5.6 weeks provided under British law.

What does the ruling mean for you?

You should examine your holiday arrangements and make sure that guaranteed and non-guaranteed overtime (and other work-related payments) is used to calculate holiday pay.

You may also want to review any commission or bonus policies, though you should think carefully before changing employees' pay structures.

The changes could bring extra costs to your business, especially if it relies on commission-based work or overtime. Plan for the event of employees making backdated claims and don't underestimate the time needed to review your pay structure.



We can manage your payroll for you.

Copyright theft puts business development at risk

A quarter of businesses with intellectual property have had their patent violated over the past 5 years, according to research by the Federation of Small Businesses (FSB).

The survey found that almost 1 in 3 businesses with intellectual property rely on it to generate between 75% and 100% of their revenue.

Despite this, less than a third of businesses (29%) who had intellectual property stolen took action against the culprits.

The most common means of intellectual property theft are:

- copying a product (50%)
- using copyrighted work on a website (34%) or service or product (33%)
- using a trademark (31%).

John Allan, national chairman of the FSB, said:

“Left unchecked, theft and infringement of ideas, patents and brand costs small businesses and diminishes their appetite to invest in their business, ultimately hampering the UK’s long-term economic growth.”

Profiting from your patents

The patent box scheme allows businesses with intellectual property to apply for a corporation tax rate of 10% on profits derived from their patents.

To benefit from the scheme, your business must:

- own or exclusively license-in a patent granted by the UK Intellectual Property Office, the European Patent Office or patent offices in certain countries in the European Economic Area
- make profits from the patent
- have contributed to the invention
- pay corporation tax.

Flexible working not advertised during recruitment

Employers could be missing out on top talent by not advertising flexible working arrangements during recruitment, a report by Timewise has suggested.

The jobs board found that 6% of all jobs offering a salary between £20,000 and £29,999 advertise flexible working arrangements during recruitment.

YOUR MONEY

Households overlook life insurance

Fewer than 4 in 10 people view life insurance as essential, according to a report by Scottish Widows.

The research, which investigated people’s financial priorities, showed that people prioritise broadband (80%) and mobile phone (71%) services over life insurance (39%).

The majority of the 5,144 people surveyed do not have protection in place:

- 33% have a life insurance policy
- 8% have critical illness cover
- 4% have income protection insurance.

Higher salaried jobs were less likely to offer flexible work:

- 3% of jobs worth £40,000- £99,999 advertised flexible work
- 2% of jobs worth between £100,000 and £199,999 offered flexibility.

Changes to employment law in June 2014 allowed employees with at least 26 weeks’ continuous employment to apply for flexible working arrangements. Flexible working encompasses different working patterns such as flexitime, place of work and shift work.

The report said employers should emphasise flexible working options during recruitment to ensure they attract the best talent:

“Employers are cutting themselves off from a proportion of the candidate market by not stating their openness to flexibility in their recruitment advertising. These ‘lost’ candidates include some of the very best available talent.”

The benefits of flexible work

Allowing staff more freedom in determining their work-life balance often results in happier, more productive employees. By offering flexible working arrangements, you can:

- **Attract top talent:** Empowering your employees will increase the chances of them staying with the company for longer
- **Boost productivity:** Giving your staff more freedom will increase their job satisfaction and provide extra motivation to work
- **Cut costs:** Although it may seem trivial, cutting the number of desks in your office can save your business money.

Talk to us about introducing flexible working to your workplace.

A separate study by YouGov found that 60% of people are not covered by life insurance. Of the 2,045 respondents:

- 34% cannot afford cover
- 22% claimed they don’t need life insurance
- 29% said they would consider buying insurance if they could afford it.

Tom Rees, associate director at YouGov Reports, said:

“It is clear that companies offering life protection need to do more to make the service both affordable and ‘worthwhile’ in the eyes of customers. Until that point, the take up of such offers will be low.”

Talk to us about buying life insurance.