FMB Information Sheet 3/12/02

EMPLOYERS' GUIDE TO REDUNDANCY PAYMENTS: January 2012

From 1st January 2010 FMB members should contact the DAS Claims Department for advice before making anyone redundant, to ensure that they are following the correct procedure and will be covered by FMB DAS legal insurance in the event of a claim arising. See the FMB website for FMB DAS policy details.

Frequently asked questions

Information given in this Information Sheet applies to England, Scotland and Wales. There are similar laws in Northern Ireland; see www.nibusinessinfo.co.uk/bdotg/action/layer?site=191&topicId=1074019927
See also FMB Information Sheet 3/12/01: Redundancy
FMB Information Sheet 3/12/06: Redundancy: Consultation & Notification
(for redundancy of 20 or more employees)

1. What is redundancy?

Redundancy is the dismissal of an employee because:

- The workplace is moving
- The workplace is closing
- Fewer employees are needed for a specific type of work

2. Who gets redundancy pay?

Any employee with more than two years of service is statutorily entitled to a lump sum from their employer.

3. When should the redundancy payment be made?

The employer should make the payment on the employee's last day of employment or as soon as possible after that time. Any lengthy delay must be agreed with the employee.

4. How much is redundancy pay?

Redundancy pay is based on:

- Age of employee
- Number of years of continuous service
- Legal contractual weekly pay up to a maximum amount: this is £430 per week as of 1st February 2012. (The amount is usually revised annually on 1st February, the previous rate was £400 per week set on 1st February 2011).
- If your employees receive a weekly wage above this maximum figure, you should still use the contractual weekly maximum to calculate their redundancy payment.

5. How is redundancy pay calculated?

The amount is calculated as:

- 0.5 week's pay for each full year of service when age during the year is less than 22 years
- 1.0 week's pay for each full year of service when age during the year is 22 years or more but less than 41 years
- 1.5 week's pay for each full year of service when age during the year is 41 years or more

The maximum number of years of continuous service, for redundancy purposes, is 20 years.

6. What is a week's pay?

For employees with normal working hours a week's pay is simply their basic wage. Overtime earnings are not included unless they are part of normal working hours.

If an employee's earnings vary from week to week as a result of shift work or other similar working arrangements, a week's pay is calculated by multiplying their average weekly hours by their average hourly rate over the latest 12 weeks of service. (The statutory maximum limit for a week's pay is currently £430 per week, from 1st February 2012).

7. Where can I get help with calculating the amount of redundancy pay, which is due to an employee?

- A table for calculating redundancy pay may be found on pages 3-4 of this Information Sheet
- A redundancy pay calculator may be found at www.businesslink.gov.uk/redundancycalculator

8. What happens if I can't pay?

If you have a serious cash-flow problem and your business would be put at risk by making a redundancy payment, the employee can be paid directly from the National Insurance Fund. Contact the government's business department Redundancy Payments Offices Helpline, Tel: 0845 145 0004

You will be required to provide evidence of your circumstances and have to repay the amount owed to the Fund as soon as possible.

If you are insolvent and unable to pay, the employee will be paid from the Fund and the money will be claimed back from the assets of your business.

9. Can I claim back any tax on redundancy payments?

Yes, you can set the payment against tax as a business expense.

10. Does my employee pay tax on the redundancy payment?

The employee's received redundancy payment, under £30,000, is free of income tax.

TABLE FOR CALCULATING REDUNDANCY PAY

Service (Years)	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
Age (Years)																			
17*	1																		
18	1	1½																	
19	1	1½	2																
20	1	1½	2	2½															
21	1	1½	2	2½	3														
22	1	1½	2	2½	3	3½													
23	1½	2	2½	3	3½	4	4½												
24	2	2½	3	3½	4	4½	5	5½											
25	2	3	3½	4	4½	5	5½	6	6½										
26	2	3	4	4½	5	5½	6	6½	7	7½									
27	2	3	4	5	5½	6	6½	7	7½	8	8½								
28	2	3	4	5	6	6½	7	7½	8	8½	9	9½							
29	2	3	4	5	6	7	7½	8	8½	9	9½	10	10½						
30	2	3	4	5	6	7	8	8½	9	9½	10	10½	11	11½					
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11½	12	12½				
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12½	13	13½			
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13½	14	14½		
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14½	15	15½	
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15½	16	16½
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14½	15	15½	16	16½	17
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15½	16	16½	17	17½
38	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16½	17	17½	18
39	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17½	18	18½
40	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18½	19
41	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19½
42	2½	3½	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½
43	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21

44	3	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½
45	3	4½	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
46	3	4½	6	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½
47	3	4½	6	7½	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
48	3	4½	6	7½	9	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½
49	3	4½	6	7½	9	10½	12	13	14	15	16	17	18	19	20	21	22	23	24
50	3	4½	6	7½	9	10½	12	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½	24½
51	3	4½	6	7½	9	10½	12	13½	15	16	17	18	19	20	21	22	23	24	25
52	3	4½	6	7½	9	10½	12	13½	15	16½	17½	18½	19½	20½	21½	22½	23½	24½	25½
53	3	4½	6	7½	9	10½	12	13½	15	16½	18	19	20	21	22	23	24	25	26
54	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	20½	21½	22½	23½	24½	25½	26½
55	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22	23	24	25	26	27
56	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	23½	24½	25½	26½	27½
57	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25	26	27	28
58	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	26½	27½	28½
59	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28	29
60	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	29½
61*	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30

17* The table starts at 17 years: In England and Wales a young person can leave school at the end of June if they are 16 or will be 16 before the start of the next school year. Therefore a 17 year old could have two years of service.

61* The table ends at 61 because for employees aged 61 years and over, the payment is the same as for those aged 61.

The amount is calculated as:

- **0.5 week's pay for each full year of service when age during the year is less than 22 years**
- **1.0 week's pay for each full year of service when age during the year is 22 years or more but less than 41 years**
- **1.5 week's pay for each full year of service when age during the year is 41 years or more**

This Information Sheet has been produced for general guidance. It does not constitute specific legal advice, which should be sought if any of the above issues arise. Except as required by law, we accept no liability for your reliance on the information provided here.