acas working for everyone

Deductions from pay and wages

1 . Making and checking deductions

When an employee is paid, they should check their payslips for deductions. If they have not been paid the amount they were expecting, they should talk to their employer first to check what's happened.

This gives the employer the chance to:

- explain why a deduction has been made
- correct a mistake

When an employer can make deductions

By law (Employment Rights Act 1996), an employer can only make a deduction from someone's wages if:

- it's required by law – for example tax
- the employment contract specifically allows the deduction
- they overpaid the employee by mistake
- it's something the employee agreed to in writing beforehand – for example paying a trade union subscription
- the employee missed work because they were on strike or taking industrial action
- it's a result of a court ordering the employer to make debt payments from an employee's wages to a third party
- it's a result of a court ordering an employee to make a payment to their employer – the employee must have agreed in writing that the employer can make the deduction

Before making deductions that an employee does not expect, an employer should notify the employee as soon as possible.

Check any written agreements to see if a deduction is allowed. For example, an employer can deduct money for training costs from their employee's wages if it's agreed in the contract or in writing beforehand. If the employer is deducting money for mandatory training , the deduction must not take the employee's wages below the National Minimum Wage.

Deductions must be clearly stated in an employee's payslip.

What payments can have deductions

An employer can make deductions from someone's wages. This includes their:

- monthly, weekly or hourly pay
- holiday pay
- statutory payments – for example statutory sick pay (SSP) or statutory maternity pay
- bonuses or commission

An employer cannot deduct money from payments that are not part of someone's wages. This includes:

- loans – for example a pay advance for a season ticket
- expenses
- pension payments
- redundancy pay

Tips

Employers must not make deductions from tips, service charges or gratuities that they have 'control or significant influence' over.

The only exception to this is for usual tax and National Insurance deductions.

Find out more about tips and service charges

Limits to deductions if you work in retail

An employer can only make a deduction to cover any till shortages or stock shortfalls if it's allowed in an employee's contract.

An employer can take a maximum of 10% of someone's weekly or monthly 'gross pay' (pay before tax and National Insurance).

This limit does not apply to someone's final wages if they leave their job.

The employer must let the employee know in writing if they owe them money. They must explain how they'll claim it back before the next pay day.

The employer must reclaim the money within 12 months of finding the shortage or shortfall.

When a deduction can take wages below the National Minimum Wage

Deductions must not take someone's pay below the National Minimum Wage, unless the deduction is for:

- tax or National Insurance
- something an employee's done which their contract says they're liable for, such as damage to a vehicle through reckless driving
- repayment of a wage advance or loan
- an overpayment made by mistake
- buying shares, other securities or share options in the business
- accommodation being provided by an employer – find out more about accommodation deductions on GOV.UK
- something the employee benefits from – for example trade union subscriptions or pension contributions
- voluntary training – the employee must have agreed in writing beforehand to pay back the costs

Income Tax and National Insurance deductions

If someone is legally classed as an employee or worker, the employer must:

- deduct tax and National Insurance (NI) contributions from their pay
- pass these on to HM Revenue and Customs (HMRC)

If an employer is not passing on these contributions, you can contact the HMRC helpline.

People who are self-employed organise paying tax and other deductions themselves.

Find out more about:

- Income Tax on GOV.UK
- National Insurance contributions on GOV.UK

If you do not agree with a deduction

If an employee disagrees with a deduction, they should first try to raise it with their employer.

If they've not been able to resolve the issue with their employer, they might be able to make a claim to an employment tribunal.

For example, they might be able to make a claim for:

- unlawful deduction from wages
- breach of contract, if they're no longer employed

How far back you can claim

There are strict time limits for making a claim to an employment tribunal.

If an employer made 1 wrong deduction, the employee has 3 months minus 1 day from the date of the deduction to make a claim to an employment tribunal.

If several deductions were made, the employee has 3 months minus 1 day from the date of the most recent deduction.

The employee can claim up to 2 years back as long as either of the following apply:

- there's less than 3 months between deductions
- the deductions are linked – for example, they might be linked if they are caused by the same error

Find out more about employment tribunal time limits

Get more advice and support

Acas is not able to give advice about tax and National Insurance.

If you need more advice about deductions, you can:

- contact the Acas helpline
- talk to a trade union representative, if you're a member

2. Handling overpayments

In most circumstances an employer has the right to claim back money if they've overpaid someone. They should contact the employee as soon as they're aware of the mistake.

If an employee notices an overpayment in their payslip, they should talk to their employer as soon as possible.

Agree how the money is paid back

An employer should not deduct money from their employee's wages without letting them know.

The employer should talk to the employee first and agree how the money will be paid back.

For example, if the employer recently made a simple overpayment, they could let the employee know that they'll deduct it from their next wages. They could also agree to pay the money back a different way, for example by bank transfer.

If the overpayment was a large amount or over a long period of time, an employer should:

- be flexible and fair claiming the money back
- agree a repayment plan – this can help the employee manage their finances

Contact the Acas helpline to discuss your options if you:

- cannot agree a repayment plan
- believed you were being paid the correct amount and will struggle to pay the money back

Looking after an employee's wellbeing and mental health

In some situations, an employee might be worried about paying back money. This can be stressful.

It's important that employers consider the wellbeing and mental health of their employees.

Looking out for employees' wellbeing and offering support can help prevent:

- absence
- mental health problems arising
- existing mental health problems getting worse

The employer should share any specialist help available through work. For example, through an employee assistance programme (EAP).

Find out more about:

- managing work-related stress
- supporting mental health at work

If someone has left the organisation

If an employee owes money but no longer works for the organisation, the employer should contact them. They should explain why they think they owe them money and how much.

If the former employee refuses to pay back the money, the employer might be able to make a court claim to get the money back from them.

Find out more about making a court claim on GOV.UK

Contact the Acas helpline

For more advice about overpayments and paying back money, contact the Acas helpline.