



McCleary & Company Ltd.

Chartered Accountants & Registered Auditors

Regulation and rate changes

Most new regulations affecting businesses come into force on 'common commencement dates' in April and October each year.

The Government's commitment to reducing the regulatory burden on businesses is being enforced with three key ideas:

1. One-in-One-Out

Departments and ministers have to justify any increases in the cost of regulation by finding savings of at least equal value.

2. One-in-Two-Out

An extension of One-in-One-Out, where measures that increase the cost of regulation have to be offset by deregulatory measures that are at least twice as valuable.

3. The Red Tape Challenge

Launched in April 2011, the Red Tape Challenge gives businesses and the public the chance to have their say on some 6,500 regulations, with the aim of improving or scrapping unnecessary red tape.

Here's a summary of some recent changes that may affect you and your business, as well as regulations that are due to come into force in October 2013.

Employment tribunal fees

Workers in the UK who bring claims to Employment Tribunals, or make appeals to the Employment Appeal Tribunal, will now be charged to do so under changes in effect from 29 July 2013.

Claimants will be charged:

- between £160 to £250 to lodge a claim
- between £230 to £950 if the case goes ahead to a tribunal hearing.

Claimants submitting claims in groups on the same application have access to a cheaper fee structure if they choose to split the fee between them.

At the Employment Appeal Tribunal stage, claimants will be charged:

- £400 to lodge an appeal
- £1,200 for a full hearing.

In some instances, claimants who are unable to pay the charges may be able to apply to have tribunal fees reduced or waived.

Unfair dismissal compensation cap

Compensation payments for individuals who win unfair dismissal claims will now be capped, under changes that came into force on 29 July 2013.

Claimants who win their case will still be awarded the first part of compensation calculated on their age, length of service and weekly pay.

However, the second part of compensation, which is calculated on the employee's financial loss (both past and future) as a result of dismissal - including benefits, such as a loss of pension - will be capped. The claimant will continue to receive the maximum £74,200 or, under the new rules, 52 weeks' pay - whichever is the lower.

'Shares for rights' employee contracts

As of 1 September 2013, employees can choose a new employment status that allows them to waive certain employment rights in





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exchange for shares in their employer's company.

Employees cannot be forced into 'shareholder' status and they must be given - rather than purchase - a minimum of £2,000 worth of shares in their employer's company. In a bid to boost take-up of the scheme, employee shareholders can take

advantage of capital gains exemptions on gains made from the sale of shares worth up to £50,000.

Employees still retain, among other employment rights, the right to claim sick pay, maternity leave, time off for emergencies and paid annual leave. But they will forfeit:

- Most unfair dismissal rights
- The right to statutory redundancy pay
- Flexible working rights - except for in the two week period after a return from parental leave
- Certain statutory rights to request time off to train.

Get in touch to find out more about employee shareholder contracts.



From October 2013: National minimum wage (NMW)

The NMW rates will increase from 1 October 2013:

- the adult rate (21 years plus) will increase by 12p to £6.31 an hour
- the 18-20 year old rate will increase by 5p to £5.03 an hour
- the 16-17 year old rate will increase by 4p to £3.72 an hour
- the apprentice rate will increase by 3p to £2.68 an hour.

NMW 'naming and shaming' scheme

Employers who break NMW rules are liable to be 'named and shamed' under an existing Department for Business, Innovation and Skills scheme. Prior to 1 October 2013, they had to owe at least £2,000 to workers - and owe an average £500 per worker - before being named. However, new rules in effect from 1 October 2013 remove these restrictions.

As well as being named, employers who pay workers less than the minimum wage will continue to pay back arrears of wages at current minimum wage rates and face financial penalties of up to £5,000.

Other measures

The following measures were included in the Government's Sixth Statement of New Regulation in July and are scheduled to come into force in October. However, at the time of writing, they are still subject to Parliamentary procedure:

Directors' remuneration reports

Company directors will be required to disclose and communicate key information

regarding their pay to shareholders. It will particularly affect company directors whose pay is directly linked to company strategy and performance.

Micro-companies' financial reporting

Micro-businesses - those with a net turnover below £632,000 and with 10 or fewer employees - will be able to prepare and publish an abridged balance sheet and profit and loss account. Previously, micro-businesses were subject to the same financial reporting rules as other small businesses. They will also continue to be exempt from the requirement to file the profit and loss account with Companies House.

Fast-track planning applications

Planning applications made to local authorities who have been assessed as 'poor performing' can instead be made directly to the Secretary of State. This is intended to speed up planning applications, particularly for businesses.

Health and safety

Employers' strict liability for injuries to employees in the workplace is to be removed, meaning employers will no longer be liable for accidents and events completely beyond their control. Employers will, however, continue to be liable for health and safety in the workplace.

Under a separate Act, a simplification of health and safety reporting requirements means employers will have to report fewer occurrences of injury, disease and dangerous incidence.

Employers' liability for third party harassment of employees

Amendments to the Equality Act 2010 means employers will no longer be liable for the harassment of staff by third parties such as customers. However, the employer may still be considered liable if they are found to be negligent in ignoring employees' complaints.

Pregnant workers' right to health and safety claims

A change to the Enterprise and Regulatory Reform Act will ensure that a pregnant worker continues to have the right to bring a claim for breach of statutory health and safety duty in relation to rights under the Pregnant Workers Directive.

In the news

The introduction of Employment Tribunal fees and Employment Appeal Tribunal fees is being challenged by trade union Unison.

Granted permission by the Royal Courts of Justice for a Judicial Review hearing in October, they are set to challenge the fees as indirect discrimination under EU law.

Unison believes that the introduction of fees on 29 August makes it more difficult for an individual to take their case to a tribunal.

Unison's general secretary Dave Prentis said: "The introduction of punitive fees for taking a claim to an employment tribunal, would give the green light to unscrupulous employers to ride roughshod over already basic workers' rights."

It is essential that you are aware of the impact these regulations have on your business. Please get in touch to discuss any concerns.

