

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the amounts specified in section 19A of the National Minimum Wage Act 1998 which are used to calculate financial penalties. Section 19A provides that a notice of underpayment must require the employer to pay a financial penalty to the Secretary of State within 28 days of service of the notice unless the Secretary of State has, by directions, specified circumstances in which a penalty is not to be imposed.

The financial penalty is calculated as a percentage of the total underpayment of the national minimum wage as set out in the notice of underpayment. Regulation 2(a) of these Regulations amends the percentage figure from 50% to 100%.

Regulation 2(b) increases the figure for the maximum financial penalty in section 19A from £5000 to £20,000.

The transitional provision in regulation 3 provides that the increased percentage of 100% and increased figure for the maximum financial penalty of £20,000 do not apply to a notice of underpayment relating to a pay reference period beginning before the day these Regulations come into force.

A full regulatory impact assessment has not been produced for this instrument as no impact on businesses which comply with minimum wage laws is foreseen. The Explanatory Memorandum is published alongside the Regulations on [www.legislation.gov.uk](http://www.legislation.gov.uk).