



A Guide to Maternity for Directors and Employers

Introduction

For those who own a new business and have employees, uncertainty around maternity rules and pay can be disconcerting, and trying to understand them even more so.

Whether you're a director looking to pay maternity to yourself or to an employee, it's important to be clear on what rights are available to both you and your staff.

The first thing to note is that there are two methods to claiming maternity:

- ✓ Statutory Maternity Pay (SMP)
- ✓ Maternity Allowance (MA)

Statutory Maternity Pay is available for directors and employees who qualify to be paid through their employer.

Maternity Allowance is reserved for those who do't qualify for SMP.

This guide will explain the criteria for qualifying for SMP, how to process it through your payroll and outline the other aspects you need to consider.



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Statutory Maternity Pay (SMP)

SMP is paid to those eligible for up to 39 weeks, and is paid in the same way as wages are i.e. monthly or weekly through payroll (see below).

To receive SMP, the applicant must meet the following criteria:

- ✓ Must have been on the payroll on the 15th week before the baby is due (known as the qualifying week)
- ✓ Must give 28 days notice before they wish to start their leave
- ✓ Must provide employer with either [MAT B1](#) certificate (received from mid-wife), or a letter from their doctor/mid-wife to show proof of pregnancy and expected date of birth.
- ✓ Must have been an employee for a continuous 6 months up to the qualifying week (15 weeks before baby is due)
- ✓ Must have earned an average weekly pay of at least £113 (calculated on 8 weeks pay up to the last pay date before the end of the qualifying week)
- ✓ Must tell their employer 15 weeks before the due date when the baby is due and when they wish to begin leave

Maternity Allowance (MA)

If for any reason the applicant of SMP does not qualify, they are eligible for MA. Instead of being processed through payroll, a claim of up to 39 weeks is instead made directly to the government through an application form. To apply for Maternity Allowance your employee should complete an [MA1](#) form and you should complete an [SMPI](#) form to give to your employee.



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Processing SMP through your payroll

SMP is payable for a maximum of 39 weeks. After this, employees are able to take a maximum of 13 weeks unpaid maternity, totaling 52 week's leave.



The first six weeks of SMP is payable at 90% of the employee's average weekly earnings before tax.



The remaining thirty three weeks is payable at a rate of £140.98 per week if 90% of their average weekly earnings is above this amount.

If the employee's average weekly earnings is less than £140.98, the full 39 weeks is paid at 90% of their average weekly earnings.

As the employer, you can reclaim 100% of the SMP that is paid to your employee to help cover costs incurred for an employee taking maternity leave. An additional 3% compensation is available for all small employers to claim, known as [Small Employer's Relief](#).

The SMP plus compensation is reclaimed either by reducing the amount of tax and NI owed to HMRC each month, or by reclaiming the amount from HMRC after the end of the tax year if the amount owed to you is not covered by reduced tax payments.



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Other considerations for SMP

Here are couple of aspects you need to consider:

★ holiday pay

★ working



Holiday pay

Employees are entitled to their full holiday allowance whilst on SMP, so please consider this in your holiday pay calculations. Many employees wait to take the holiday pay at the start of end of their leave to boost their income whilst on maternity leave.



Working

Employees can work a maximum of 10 days whilst on maternity leave without maternity pay (or allowance) stopping. These are known as Keeping in Touch (KIT) days. A KIT day is a normal calendar day, so even an hour in one day will use 1 of the 10 days allowable. As the employer you will pay the normal rate of pay for KIT days unless otherwise stated in the contract of employment.



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Sole director(s)

If you run a limited company as a sole director or with your spouse, all the above points also apply to you. The only difference is that you will take the position of both the employer and the employee when calculating SMP eligibility and pay.

As a director, you will likely be taking a small salary and dividends from your company. If this is the case, this means there may be little or no liability due to HMRC each month.

In this instance, as the monthly maternity pay is claimed each month, a credit will accrue on your account with HMRC.

This credit can be reclaimed after the end of the tax year, on 5th April.

If the child's father, your husband or partner, the child's adopter or the intended parent is also working as a director or as an employee within the company, 2 weeks paternity pay may also be claimed (providing they meet the criteria for [Statutory Paternity Pay](#)).

If he/she is working for another employer then paternity pay will be claimed under their employer instead.



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Sole traders/partnerships

If you are a sole trader or a partner then you will not be on your own payroll.

This means you must claim Maternity Allowance instead of Statutory Maternity Pay.

If we complete your payroll for you then we will make all of the necessary calculations to let you know if you or one of your employees qualifies for SMP or not.

We simply need a copy of the [MAT B1](#) certificate and the intended start date of leave.



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Looking for more help on maternity pay?

If you have any further questions regarding maternity pay simply phone 020 3355 4047 or ask one of our accountants (for free).

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