Minimum Wage Accommodation Offset – Frequently Asked Questions

Overview

What is the accommodation offset?

The accommodation offset is a feature of minimum wage regulations that is applied when an employee lives in accommodation that is provided by their employer. It is in place to provide protection to employees on minimum wage or low pay, ensuring that they receive some of their minimum wage entitlement in cash, limiting what an employer count towards the minimum wage as accommodation and board costs.

When does it apply?

The accommodation offset applies when an employee is renting accommodation and/or receives board from their employer or connected company in an agreement linked to their employment.

This applies regardless of how much is charged, or if it is provided for free, and regardless of how that accommodation is paid for by the employee.

This a change from the how the regulation was formerly written, only previously applying in more limited circumstances.

What has changed?

In addition to it now applying in more circumstances, the following changes have been made to the accommodation offset:

- Employers who provide accommodation and/or board for free will now be able to count some of that cost as pay.
- The percentage rate has been increased from 50% to 70% were accommodation and/or board is charged for by the employer to the employee.
- The percentage rate will remain at 50% for accommodation and/or board provided by an employer to an employee for free.
- The offset cap is increasing from £90.60 per week to £193.20. This is the maximum amount that employers will be able to offset, regardless of how much is paid in rent. *An employer can deduct or charge more than this amount for accommodation, but the excess will not count towards minimum wage pay.*

When will the changes be enacted?

Changes will come into effect on the 1st January 2026 to coincide with the new minimum wage rate of £9.66 per hour.

Technical support

How is it calculated?

The regulation sets out the following calculation, which is unchanged, to determine if someone is being paid the minimum wage.

(N - X) + D + A – explanatory note can be found in the regulations at 4 (2). The final regulations will be published at the end of the month, in the meantime the approved changes can be found in ExCo paper 157-25.

The accommodation offset is added once any costs for rent paid to an employer or connected company are paid or provided free of charge. This adds an amount back into the calculation of pay at a rate of either 70% (paid for accommodation) or 50% (accommodation provided for free) to a limit of £193.20 per week.

Example calculations are provided at the end of this document. A calculator will also be set up to allow employers and employees to check the minimum wage is being paid.

An employer provides accommodation and board for free. Are they affected?

Yes. From 1st January 2026 employers will now be able to include the value of that accommodation and/or board in the calculation of an employee's hourly rate.

You will be able to count 50% of the value up to a maximum of £193.20 per week.

This is a change from the previous regulation where the provision of free board and/or accommodation was not able to be included.

What if an employee lives in shared accommodation?

The accommodation offset is about the pay of an individual. If an employee is renting in shared accommodation or renting accommodation from their employer on behalf of their family, you would only apply the employees portion of the rent and/or board in the calculation.

It is up to businesses to keep records explaining how any value ascribed to accommodation provided for free is arrived at, as part of their obligations around minimum wage (Part 7 of the Minimum Wage 2013 Ordinance).

Benefit in kind values can offer a reasonable guide and are already used by a number of employers in this way.

What if electricity and/or heating fuel is also provided as part of the accommodation?

This cannot be counted in the calculation of minimum wage pay.

Where it is provided for free, this will need to be separated out from the value given to the accommodation and/or board provided.

Similarly, where it is charged for as part of a total amount for accommodation and/or board, an amount will need to be separated out and not included as part of the calculation.

How does this impact Benefit in Kind?

There are no changes to how benefit in kind is calculated or collected. Whilst accommodation and/or board provided for free will theoretically be able to be counted as pay from the 1st January 2026, this will continue to be taxed as a benefit in kind (where appropriate) in the usual way.

Any further questions?

Please contact Matt Daniel in the Policy Team who will be able to offer advice and guidance on the revised regulation and potential implications.

Example 1 – Employer charges

The employer is charging the employee £150.00 per week for rent of a shared property.

Taking the calculation (N-X) + D + A

Gross Pay	£480.00
(N) Net Pay[1]	**£300.00**
(X) Excluded Payments[2]	£0.00
Total	£300.00
(D) Allowable Deductions[3]	£30.00
(A) Accommodation offset[4]	£105.00
Total:	**£435.00**

We then divide the £435.00 by the hours work which, if 45 hours, would result in an hourly rate of £9.66, which is equal to the current minimum wage rate.

Example 2 – Employer provides for free

The employer provides accommodation and board for free, at a value of £80.00 per week.

Taking the calculation (N-X) + D + A

Gross Pay	£400.00
(N) Net Pay	**£370.00**
(X) Excluded Payments	£0.00
Total	£370.00
(D) Allowable Deductions	£30.00
(A) Accommodation offset[5]	£40.00
Total:	**£440.00**

We then divide the £440.00 by the hours worked which, if 45 hours, would result in an hourly rate of £9.78, above the minimum wage rate of £9.66.

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[1] After deductions from gross earnings and any separate Accommodation and/or Board costs are considered. Per Minimum Wage (Calculation of Amount Paid) (Amendment No 2.) Regulations 2025 – YET TO BE MADE – implemented on 1st January 2026.

[2] For example, tips and gratuities, payments by way of loan, overtime premiums, unsociable hour premiums. As set out in existing regulation, section 5: https://www.legislation.gov.fk/download/pdf/7e135406-ac17-4eaa-b46c-8935d2422f28/ec8ffee2-865d-4adb-95dd-6b5802633c1e/fisl-2013-16_2017-07-31.pdf

[3] Statutory deductions from wages paid. For example, tax, RPC, payments to cover the service charge plus deductions for poor conduct, savings schemes etc. As set out in existing regulation, section 6: https://www.legislation.gov.fk/download/pdf/7e135406-ac17-4eaa-b46c-8935d2422f28/ec8ffee2-865d-4adb-95dd-6b5802633c1e/fisl-2013-16_2017-07-31.pdf

[4] Calculated at 70% of the amount paid for accommodation and/or board to a limit of £193.20 per week, per Minimum Wage (Calculation of Amount Paid) (Amendment) Regulations 2025, section 4 – PUBLISHED. To be enacted on 1st January 2026.

[5] Calculated at 50% of the value of accommodation and/or board to a limit of £193.20 per week, per Minimum Wage (Calculation of Amount Paid) (Amendment) Regulations 2025, section 4 – PUBLISHED. To be enacted on 1st January 2026.

Example 3 – Employer provides no accommodation

The employer provides no accommodation and board.

Taking the calculation (N-X) + D + A

Gross Pay	£550.00
(N) Net Pay	**£450.00**
(X) Excluded Payments	£0.00
Total	£450.00
(D) Allowable Deductions	£100.00
(A) Accommodation offset	£0.00
Total:	**£550.00**

We then divide the £550.00 by the hours worked which, if 45 hours, would result in an hourly rate of £12.23, above the minimum wage of £9.66.