

Bonuses

Entitlement to a bonus

A bonus is a payment an employer gives to staff in addition to their basic wages. This usually relates to:

- company performance
- individual performance
- a specific event, for example, an end-of-year bonus

There is no legal requirement for an employer to provide a bonus. However, bonus schemes can help employers to:

- keep employees engaged and motivated
- recognise and reward employee performance
- attract the best applicants for a role
- retain experienced staff

Bonuses can be:

- contractual – this means they're guaranteed in certain circumstances
- discretionary – this means they're not guaranteed

Contractual bonuses

Contractual bonuses are sometimes known as compulsory bonuses. The employer must pay a contractual bonus if certain agreed criteria are met.

The employee's entitlement to a bonus should be recorded in their [written statement of employment particulars](#). This should clearly explain the criteria for the employee to get the bonus.

Discretionary bonuses

Discretionary bonuses are sometimes known as voluntary bonuses or non-contractual bonuses.

The employer has some flexibility over whether or not to award a discretionary bonus. The decision might be linked to how well an employee or company performs. However, requirements for getting a discretionary bonus are not set in advance.

If a contract says a bonus is discretionary, the employer must still act fairly when deciding whether to pay it. If they do not act in a fair and reasonable way, their employee might be able to make a legal claim. This claim would be for breach of contract.

Being clear in the contract

If an employee is entitled to a bonus, their written statement or contract should say this. This should make clear whether the bonus scheme is discretionary or contractual.

Employers offering a discretionary bonus should say clearly that it is not a contractual right. If a discretionary bonus scheme has unclear terms or wording, it could be interpreted as being contractual.

If it's not clear whether a bonus is discretionary or contractual, it's a good idea to [get legal advice](#).

Custom and practice

Some employers might have regularly paid their employees a bonus without a written agreement. In this situation it is not always clear if the bonus is discretionary or contractual.

If there is no written agreement, the employee might be entitled to a bonus through 'custom and practice'.

[Find out more about custom and practice](#)

Working patterns

Employers must not treat employees less favourably because they're:

- part-time employees
- on a fixed-term contract

Part-time employees

Employers must not treat part-time employees less favourably than full-time employees.

Part-time employees are usually entitled to the same bonus as full-time employees, but on a pro-rata basis. Pro rata means in proportion to hours worked.

For example, an employee who works full time gets an end of year bonus of £500. An employee working in the same role for half the hours is entitled to a bonus of £250.

In some situations, employers do not have to treat part-time employees and full-time employees in the same way.

The employer must be able to show there is a good reason for the different treatment. This is called 'objective justification'.

[Find out more about part-time workers rights](#)

Fixed term employees

Employers must not treat a fixed-term employee less favourably than a permanent employee.

Employees on fixed-term contracts are entitled to the same terms and conditions of employment as permanent employees in the same role. They are entitled to the same benefits or benefits of equal value. This includes bonus schemes.

In some situations, employers do not have to treat fixed term and permanent employees in the same way. The employer must be able to show there is a good reason for the different treatment. This is called 'objective justification'.

The employer might in some circumstances be able to objectively justify excluding a fixed-term employee from a bonus scheme. They would need to show that the fixed-term employee's contract as a whole is at least as favourable as that of a permanent employee.

[Find out more about fixed term employment contracts on GOV.UK](#)

Changing or removing a bonus

An employer might need to change the terms of their bonus scheme, or to remove it.

Contractual bonuses

If the bonus scheme is contractual, the employer will need to change employees' contracts.

Employers must follow the correct process when changing contracts.

[Find out more about changing an employment contract](#)

Discretionary bonuses

If a bonus is discretionary (non-contractual), the employer must act reasonably when making changes.

For example, the employer should communicate changes clearly to employees. They should also give employees reasonable notice before changing or removing the bonus scheme.

If a bonus is not paid

If a bonus has not been paid, the employee should raise it informally first, by [talking to the employer](#). This can help resolve things quickly if there has been a mistake.

If the employee talks to their employer, the employee should confirm what they've discussed in writing. For example, in a letter or email.

If the issue cannot be resolved informally, the employee can [raise a grievance](#). This is where the employee makes a formal complaint to their employer.

Making a claim to an employment tribunal

If an employee has not been able to resolve the problem, they might be able to make a claim to an employment tribunal.

This will depend on whether the bonus is contractual or discretionary. If the bonus is contractual, the employee could make a claim to an employment tribunal for unlawful deduction of wages.

Find out more about:

- making a claim to an [employment tribunal](#)
- [employment tribunal time limits](#)

Making a county court or sheriff court claim

If a bonus is contractual, an employee could make a breach of contract claim in the county court (in England and Wales). They have up to 6 years from the date of the breach to make a claim.

In Scotland, an employee could make a breach of contract claim in the sheriff court. The time limit for breach of contract in a sheriff court is 5 years from the date the employee had knowledge of the loss.

Employees considering a county court or sheriff court claim should [get legal advice](#) on their situation, to understand what will be involved.