

8. Auto enrolment



Low Incomes
Tax Reform
Group
A voice for the unrepresented

Providing a pension for your personal assistant (PA) under the auto enrolment programme is one aspect of being an employer that we know causes some real worry, so here we go into a bit more detail.

What is auto enrolment?

Auto enrolment is a Government initiative that requires *all* employers to automatically enrol certain staff into a pension scheme (if they do not already provide a workplace pension) and make contributions towards it. This includes someone that you may have taken on directly to provide you with personal care – aged between 22 and state pension age, who (for the foreseeable future at least) earns more than £10,000 (£192 a week or £833 a month) – even if they are your only employee.

The law around auto-enrolment applies to you whether you use a direct payment from the government to fund your PA, or you use your own money to do so. However, if your care is provided by an agency or the council, then they will be the employer and you don't need to do anything.

An employee can choose to 'opt out' of auto enrolment (as they will also probably have to contribute into the pension scheme, they may wish to do this if they are on a limited budget), although they should be re-invited to join the scheme every three years. Although auto enrolment is complex for an employer to administer, it is against the law to try to persuade someone you employ to opt out of auto enrolment.



What if my PA earns less than £10,000 or isn't 22 yet?

You should monitor them and if/when they meet the criteria, auto enrol them at that point.

In the meantime they can ask to join a pension scheme. You may have to pay into it on their behalf depending on whether they are 'non-eligible jobholders' or 'entitled workers':

- Non-eligible jobholders – for example those aged 22 to state pension age, earning from £5,824 to £10,000 or those aged between 16 and 21. These workers are entitled to opt in, with an employer contribution.
- Entitled workers – for example those earning under £5,824 who are entitled to join a scheme but are not entitled to an employer contribution if they do so.

You can find more information about these categories of workers on the Pension Advisory Service website: <http://www.pensionsadvisoryservice.org.uk/about-pensions/pensions-basics/automatic-enrolment/joining>



When does auto enrolment start?

From 1 June 2015, small employers have gradually been obliged to enrol their eligible staff into a pension. However – please note the word gradually.

Only care and support employers who were up and running **before April 2012** will be affected by this date – and even then, this is only the start date of a long timeframe (running until 1 April 2017) in which your 'staging date' may fall (i.e. the date that your auto enrolment duties will actually come into force).

New employers in existence **from 1 April 2012** will have staging dates between 1 May 2017 and 1 February 2018.

Your exact date will be based on your PAYE reference and the Pensions Regulator has a tool to help you work out your staging date: <http://www.thepensionsregulator.gov.uk/employers/staging-date.aspx>

www.disabilitytaxguide.org.uk



What if my PA isn't classified as an employee?

Most PAs are employees and will clearly be covered by auto-enrolment.

In other cases, you need to consider whether your PA is a 'worker' for employment law purposes, as they will be covered by the auto enrolment rules. If you expect your PA to perform their services personally for you (you wouldn't be happy for them to send a substitute in their place, if they had another client that they had to go and see for example), then they will probably be a 'worker'.

You can find out more about 'workers' on our website: <http://disabilitytaxguide.org.uk/employment-law/employment-law-status/>

Choosing a pension provider

You will have to select a good quality pension scheme to enrol your PA in, for example, one that is well run, offers value for money and protects your workers' retirement savings.

There is lots of information out there to help you do this (we point you to this on our website) or you can use an adviser.

To make it easier for small employers to comply with the auto-enrolment requirements the government has set up a simple, low-cost 'default' scheme called the National Employment Savings Trusts (NEST) which employers may use if they wish.

NEST are able to claim a 20p uplift from the government on every 80p your employee pays into the scheme, regardless of how much they earn. Some other providers use a different approach, which means employees do not get such an uplift unless their earnings are more than £11,000 (in 2016/17) – this may be a relevant consideration when choosing a pension provider if you have a lower-earning employee. **For more on this see here:** <http://www.thepensionsregulator.gov.uk/en/employers/duties-checker/outcomes/i-am-an-employer-who-has-to-provide-a-pension/choose-a-pension-scheme-or-check-your-existing-one/>

I have someone I will need to enrol in a pension. What next?

Even if your staging date is some way off, there are lots of things you need to do before this date.

You can find step by step information on the Pension Regulator's website to help you begin your auto enrolment preparations and work out what you need to do and when: <http://www.thepensionsregulator.gov.uk/employers/your-step-by-step-guide-to-automatic-enrolment.aspx>

You should not leave everything to the last minute, as some of the tasks that you will need to undertake, such as setting up a pension scheme (see below), will take you some time. Ideally, you should allow several months or more to get ready for auto enrolment.

How much is this all going to cost me?

You will have to pay contributions into your employee's pension scheme. At the moment this is 1% of your PA's earnings but this will increase to 3% by April 2019.

If you receive money from the government to pay your PA then there is an argument that the cost of auto enrolment should be built into the money they pay you – however you will need to discuss this with them.

Where can I find out more?

- See our section on auto enrolment in Disability Tax Guide: <http://disabilitytaxguide.org.uk/paying-wages/pensions-auto-enrolment/>
- You can find 'The essential guide for people who employ their own care and support' and 'Questions and answers for people who employ carers' on the Pension Regulator's website here: <http://www.thepensionsregulator.gov.uk/employers/automatic-enrolment-for-people-who-employ-their-own-care-and-support.aspx>
- If your PA has any questions about auto enrolment, you could direct them to: <https://www.moneyadvice.service.org.uk/en/articles/automatic-enrolment-into-a-workplace-pension>

This factsheet is intended to provide general information only and does not constitute advice. Before taking any action, you should get appropriate advice from a professional adviser which is based on your particular circumstances. We have done our best to ensure that the information in this factsheet is up to date as of April 2016. You can read our full disclaimer on our website: www.litr.org.uk/legal.