

AUTO ENROLMENT AND WORKPLACE PENSION REFORM



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In the UK today, millions of people are failing to save enough to have the income they would like in retirement. Life expectancy is increasing but people are saving less into pensions. To meet this challenge, the Pensions Act 2008 laid the foundations for a fundamental reform of workplace pensions requiring every employer to automatically enrol their workers into a qualifying pension scheme, if they are not already in one, and contribute to that pension. Between 2012 and 2017 all employers will have to offer a workplace pension.

The start date for the rollout of the changes was October 2012 and at that time only employers with 120,000 workers or more were affected. For those with a more modest workforce the start date varies, for example those with less than 500 workers the date is 1 January 2014 and for those with less than 50 workers the earliest start date is 1 August 2014.

Who is eligible?

Workers eligible for automatic enrolment will be:

- those who aren't already active members of a qualifying scheme
- are aged between 22 years and the State Pension age and
- earn over £8,105 gross a year.

The qualifying scheme may be the existing employer pension scheme if it meets certain conditions, or if an employer does not have a qualifying scheme they will have to set one up or use a NEST pension scheme.

What do employers have to do?

You will have to automatically enrol your eligible workers into a qualifying pension scheme and make an employer contribution towards it. The main things you must do are:

- provide a qualifying scheme for your workers
- automatically enrol all eligible jobholders into the scheme
- pay employer contributions for eligible jobholders to the scheme
- tell all eligible jobholders that they have been automatically enrolled and they have the right to opt out
- register with The Pensions Regulator and give them details of your qualifying scheme and the number of people that you have automatically enrolled.

You must not:

- encourage your workers to opt out of the qualifying pension scheme
- have recruitment practices that will benefit job applicants who indicate they are prepared to opt out or
- treat a worker unfairly or put them at a disadvantage because of automatic enrolment.

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How much will employers have to pay?

	Employee Pays (less tax relief)	Employer pays	Qualifying earnings is the band of gross annual earnings on which contributions are calculated, currently between a year in 2013/14 terms. This includes a worker's salary, wages, overtime, bonuses and commission, as well as statutory sick, maternity, paternity or adoption pay. Contribution levels will be phased in over a period of time
Before October 2016	1%	1%	
October 2016-October 2017	3%	2%	
From October 2017	5%	3%	

From 2012 the legal minimum is 2 per cent of a worker's qualifying earnings. Of this the employer must pay at least 1 per cent. The legal minimum requirement will rise gradually to 5 per cent by October 2017 (of which the employer must pay 2 per cent) and 8 per cent from October 2018 onwards (of which the employer would be liable for 3 per cent).

What should you do if you have an existing scheme?

Even if you already provide a pension scheme for your workers, you will need to check if it is a qualifying scheme. It will need to meet certain requirements depending on the type of scheme you have. It must also be appropriate for automatic enrolment. You can find out more by visiting The Pension Regulator's website at www.tpr.gov.uk and following the links to 'pensions reform'.

How do you know if your existing scheme is a qualifying scheme?

Many occupational and group personal pension schemes will qualify. To be a qualifying scheme, it needs to meet certain requirements. To be a qualifying scheme, minimum contributions must be made or it must provide a minimum rate at which benefits will build up. Even if it doesn't qualify at the moment, you may be able to change the scheme rules or amend the terms of the policy so that you will be able to use it by the time your staging date comes around.

Please contact us if you need any help.

HMRC RELAXES RTI ARRANGEMENTS FOR SMALLER BUSINESSES



Businesses with fewer than 50 employees can benefit from a temporary relaxation of the Real Time Information (RTI) reporting arrangements. Until 5 October 2013, employers with fewer than 50 employees who pay their staff weekly or more regularly and find it difficult to report at the time of payment may now send information by the date of their regular payroll, but no later than the end of the tax month (which of course is the 5th of the month).

HMRC has confirmed that for 2012/13, penalties will not be applied for inaccuracies found within the in-year Full Payment Submission (FPS). However, they may be charged after the end of the tax year based on the final FPS for the year.

Penalties may also apply for inaccuracies found within the in-year returns for the 2013/14 tax year, using existing criteria. From 6 April 2014 there will be new late filing and late payment penalties.

BUSINESS TAX REDUCTIONS

Big news here, with a flat corporation tax rate announced of 20% from April 2015 whatever your level of profits. The employer national insurance contributions of 13.8% will enjoy an exemption of £2,000 per annum from the 1st April 2014 whatever the size of business. This is clearly aimed at small businesses to encourage recruitment.

These measures make the UK very competitive for business, and gives all businesses the opportunity to enjoy lower taxes on profits retained in the company and also where paid out.

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TIPS FOR MOTIVATING YOUR TEAM



Here are a few tips to help you motivate your team and bring them with you as you strive to move your business forward.

It starts with you! Your team will look to you for guidance and inspiration. No matter what sort of a day you've had, pull it together and be a role model of positive energy whenever you're in sight. Your team will follow suit.

Keeping everything as open as possible will lend a sense of ownership to the team. Your employees will feel a part of the business, and once engaged, will often provide suggestions for improvement.

Set targets for your team and let them know when they get there. Don't forget to provide regular feedback to the team. Let them know how they are doing and congratulate them when milestones are achieved.

Listen to your team. They need to know that you understand their concerns, challenges and problems. Never assume that because someone worries often that they worry about nothing - often team members will spot potential issues long before they happen. Give feedback, acknowledge that you have listened to what your team has to say and provide them with answers where possible.

NEW TAX RATES AND BANDS WERE ANNOUNCED IN THE RECENT BUDGET

PERSONAL ALLOWANCE

This is fixed for 2013/14 as £9,440 if you were born after 5 April 1948 and for 2014/15 it is the long-planned £10,000. After that it will just go up by reference to the CPI.

TAX BANDS

The basic rate limit is £32,010 for 2013/14 and £31,865 for 2014/15. This means that if you are a 40% taxpayer (if taxable income does not exceed £100,000) you will only partially benefit from the increase in personal allowance. The 45% band for 2013/14 applies to taxable income over £150,000.

PERSONAL ALLOWANCE TRAP

As you may know, there is a nasty tax trap by reference to the gradual withdrawal of the personal allowance if your taxable income exceeds £100,000. This is via a reduction of £1 of allowance for every £2 of excess taxable income.

For 2013/14 the trap potentially applies to even more taxpayers with the increase in personal allowance to £9,440:

Taxable Income	Marginal rate
£100,000 to £118,880	60%
£118,881 to £149,999	40%
£150,000 +	45%

For 2014/15 the trap is even wider with the increase in personal allowance to £10,000:

Taxable Income	Marginal rate
£100,000 to £120,000	60%
£120,001 to £149,999	40%
£150,000 +	45%

If you think you could fall within this trap we can advise you of all possible ways of keeping well clear.

TEAM UPDATE

'Two Tom's'

We are pleased to say that our current growth rate has led us to recruiting two new starters. A graduate Tom Bowskill, has five years experience as a 'payroller' and 'book-keeper'. Now he is expanding by taking client work to its end in terms of filing the Accounts and Tax Returns.

New Graduate Tom Roberts is gaining work experience for three months prior to taking up a training contract in September with a large Birmingham based of Chartered Accountants.

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