

# Ways We Help Accountants Keep Clients AE-Compliant

The vast majority of accountants believe their clients are auto-enrolment (“AE”) compliant. Yet over 50% of those we partner with have clients whose workplace pension schemes experience anomalies picked up by Husky, which ordinarily would make them unknowingly non-compliant on AE – and sometimes tax, too.

The following 3 scenarios – which we’ve frequently uncovered in the course of our work with accountants/ payroll providers – demonstrate just a few of the areas where pension non-compliance occurs most frequently.

## 1. THE WAY TAX IS APPLIED

The most common scenario we encounter relates to tax relief. As you know, employees are entitled to tax relief on their pension contributions. This can be applied in 2 ways: relief at source (the norm for AE) or via a net pay arrangement. Here are the differences:

	Relief at source	Net pay arrangement
<b>What it is?</b>	The pension scheme applies tax relief at a rate of 20%.	Employees receive tax relief as part of their earnings each pay period. HMRC doesn't add on any further tax relief.
<b>How employee pension deductions work</b>	Deductions are taken from net pay (after income tax).	Deductions are taken from gross pay, so they pay less tax.
<b>Example: 1% as the chosen deduction</b>	0.8% is deducted from net pay. HMRC credits their pension pot by 0.2%.	1% is deducted from gross pay.

What we’re seeing – at both accountancy firms and employers handling AE directly – is that during the first month’s pay run, payroll selects an option that doesn’t match what the employer put on their pension scheme set up form. As a result, the employee receives tax relief twice: once at source and once through a net pay arrangement.

Unfortunately, the complexity of AE legislation make it all too easy for this nuance to be missed. As a result, the employer is non-compliant on pensions – and the knock-on effect is that the employee is receiving double the tax relief they’re entitled to. And, importantly, that creates an ongoing breach of tax regulations for companies.



Husky takes care of everything so you can get on with running your business.



## 2. THE WAY PENSIONS CONTRIBUTIONS ARE CALCULATED

Another frequently undetected AE issue we often identify in our work with accountants and employers relates to the incorrect earnings basis on which pension contributions are calculated i.e. either pensionable and qualifying earnings. Specifically, which is selected as the earnings basis for an employee's pension calculations.

The two options differ as follows:

Qualifying earnings	Pensionable pay
The term refers to the band of earnings used to calculate pension contributions. Qualifying earnings are the standard basis for AE schemes.	Discrete elements of gross pay (basic, commission and overtime) can all be included in the contribution calculation.
Once an employee has been enrolled, they pay contributions on everything earned above a lower threshold and under an upper threshold.	The employer must select the relevant elements when setting up the scheme. The elements must also be set up in the payroll software.
For monthly payments, the lower threshold is £490 and the upper one is £3,750. (This is only correct until April 2018, then it will be £503 and £3863)	Contribution percentages under AE rules are different depending on which pay elements your client selects.
	Contributions are calculated on the first pound. No thresholds apply

As with tax relief, we've found this issue originates at the first pay run – when payroll inadvertently selects a different earnings method to the one the pension scheme is using as the basis for the pension contribution calculation.

Due to the unanticipated painstakingly-tedious admin involved in AE, it's perhaps unsurprising that this is a frequent occurrence. However, when the pension scheme calculates employee contributions from qualifying earnings while payroll uses pensionable earnings, both employer and employee end up paying more than they should – again resulting in ongoing AE non-compliance.

## 3. THE DATE THAT PENSION CONTRIBUTIONS SHOULD BEGIN

Under AE regulations, pension contributions are based on the date your clients pay their employees, rather than an earnings period. So, if your client pays monthly in arrears on 1 November (for the October earnings period), then contributions must start on 1 November (or else postponement must be applied...which brings its own set of requirements, which are frequently not accurately managed).

In our collaborations with accountants of all sizes, we often find that payroll hasn't submitted any contributions in that first month – which again results in non-compliance. However, when Husky identify this issue early, there are easy fixes we can implement.

## COLLABORATE WITH US TO SIMPLIFY WORKPLACE PENSION COMPLIANCE

In a recent meeting, an accountant told us: 'It's such a relief to know that all my clients are AE-compliant and that everything's taken care of.' And we're proud that a partnership with us delivers this peace of mind.

We're committed to building trust and respect in our relationship with you and your clients. There's no encroaching on your relationships – rather, Husky complements your existing process, supporting you to help resolve any AE-related legacy or on-going compliance concerns – while providing peace of mind for your clients, knowing they have the best possible scheme for their business.

What's more, we effectively automate much of the painful administration of ongoing AE management, including communicating with employees and ensuring providers have up-to-date information. And thanks to our transparent approach and preferential pricing, your clients save time and money.

The result: Husky partners with you to deliver choice and compliance, reducing admin for you, payroll and employers – and fostering a stronger relationship between you and your clients.

