

New rules affect every employer

■ Pensions reform

MANY moons ago, the government announced that it would introduce legislation to encourage people to build up a private pension pot to supplement their income upon retirement.

The time will soon be upon us when this legislation takes effect writes Chris Floyd, tax manager at Landers the Accountants and this will affect every employer, even if they only have one employee.

The largest employers will need to act in 2012 and all employers will have to take action within four years. When you think how quickly the football World Cup or the Olympics come round, four years is not a long time.

So what do employers need to know and do now? The first thing is to check when your 'staging' date is - this is the date by which you must implement the new measures.

This can be found by visiting www.tpr.gov.uk/staging. You can implement the changes before this date (with the agreement of the pensions regulator), but not any later. By then, each employer will

need to have done the following:

- Have registered with the Pensions Regulator;
- Have provided their workers with information about the changes;
- Have selected a pension scheme into which they will enrol their employees;
- Have assessed their workforce to determine what needs to be done in respect of each of them.

Employees aged between 22 and state pension age who are earning over the income tax personal allowance (currently £7,475) must be automatically enrolled in to the new scheme. Other employees must be allowed to opt in.

The essence of the new scheme is that employers will need to contribute at least three per cent of a worker's salary into an approved pension scheme. The worker will need to top up this contribution to make a total minimum contribution for each individual of 8pc. For someone earning the UK average salary of £25,900, this will be a monthly contribution of £64.75 by the employer and £107.92 by the employee.

These contributions will qualify



● Chris Floyd

for tax relief for the payer at their highest rate of tax. This mitigates the effect of the reduced net income but it is still something that needs to be planned for.

This will be a big additional administrative burden for small employers and it comes at a time when they will also be getting to grips with real time information reporting for PAYE.

Pension reform may not be high on your Christmas wish list but it should be the first of your New Year resolutions.

● At Landers Accountants we do not only concentrate on the numbers. Our aim is to help your business to run smoothly and successfully. If you would like to benefit from a higher level of service, call one of the team on 01525 873922. Merry Christmas.

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