

Changes to the timing of information that needs to be sent to TPR about AE (Declaration of Compliance)

The Pensions Regulator (PR)

RPC rating: validated

Description of the measure

The regulator has issued guidance aimed at new employers whose businesses or organisations were created on or after 1 October 2017 and who do not have a PAYE scheme (normally because they do not have any employees who are paid above the lower earnings limit for National Insurance).

This guidance is slightly altered from the more general guidance for employers; it sets out how, specifically, employers without a PAYE scheme are expected to discharge their responsibilities, which involve:

- Writing to workers to tell them that they can choose to join a scheme;
- Arranging for workers to join a scheme on request (though the employer is not required to contribute to the pension); and
- Completing the Declaration of Compliance (DoC) when the regulator writes to them (rather than on the deadline set out in the legislation for most employers).

This approach relieves such employers of the burdens of informing the regulator of their existence and being registered manually on the system.

The guidance further advises that employers can, if they wish, contact the regulator to be registered in order to complete their DoC earlier. Normally, a DoC is only requested after the employer starts paying staff more than £113 per week, has set up a PAYE scheme as required when they cross the pay threshold, and has been contacted by TPR to request that they complete the DoC. The DoC cannot be completed by employers who do not have the PAYE schemes.

There are 164 additional words in the guidance.

This proposal is a qualifying regulatory provision.

Impacts of the measure

From 2017, this proposal will affect between approximately 24,100 and 28,500 micro employers each year. This assessment uses a midpoint of 26,300 businesses.

The regulator estimates the total benefit to affected employers of not having to contact the regulator and avoiding manual registration on the system at £140,000 per annum, based on estimates of the length of similar phone calls from the regulator's internal management information and ASHE data for senior managers.

It estimates the additional annual familiarisation cost with the guidance, over and above the cost of familiarisation with the general guidance, which is required for all businesses, at £12,000.

Overall, the EANDCB is estimated at -£116,865.

Quality of submission

The regulator has presented a brief, but sufficient, analysis of the costs and benefits of this approach and has set out clearly its justification for creating the additional guidance.

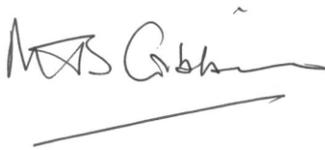
To improve the assessment, the regulator should clarify why familiarisation with the guidance is assumed to be an annual as opposed to a one-off cost. However, as this issue would not impact on the overall EANDCB figure, the RPC is able to validate the EANDCB presented.

Regulator assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net direct cost to business (EANDCB)	-£0.1 million
Business net present value	£ 1.0 million

RPC assessment

Classification	Qualifying regulatory provision (OUT)
EANDCB – RPC validated ¹	-£0.1 million
Business Impact Target (BIT) Score ¹	Zero



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.
