

## **Simplifying AE for new employers created between 2 April 2017 and 30 September 2017**

### **The Pensions Regulator (PR)**

**RPC rating: validated**

#### **Description of the measure**

Automatic enrolment is being rolled out in a phased manner; in particular, the automatic enrolment duties of those who become an employer for the first time on or after 1 October 2017 start immediately, while the duties of all those who were employers before 2 April 2017 start at a defined “staging date”. For those who have become or will become employers between 2 April 2017 and 30 September 2017 (inclusive), the legal position is more complex and it can be difficult for them to tell when their duties start; this depends on whether they set up a PAYE scheme before or after they first employ someone at more than £113/week and on when that person is first paid. Those who have not yet set up a PAYE scheme will also not receive communications from the regulator. These employers would have to contact the regulator to be added to the auto-enrolment system and/or to correct their starting date.

The regulator has therefore issued specific guidance aimed at those who became employers for the first time on or after 2 April 2017 and up to and including 30 September 2017; this guidance is based on existing guidance to employers and sets out the staging date for employers depending on their specific circumstances, under the legislation. The change adds 209 words to the existing guidance.

For simplicity purposes, the guidance further advises that, although duties for those who became employers during the relevant period and set up PAYE schemes afterwards formally begin when the first employee started, their duties will be assumed to have started on 1 January 2018 or 1 February 2018, depending on when the first paycheck was issued.

This approach removes from the employer the burden of having to contact the regulator, either to be added to the system or to correct the staging date communications being sent to them. The practical effect is to give employers more time to comply with the regulations.

Employers can still choose to contact the regulator to be registered or to correct their staging dates.

This proposal is a qualifying regulatory provision.

## **Impacts of the measure**

This proposal is estimated to affect up to 101,039 new employers who became employers between the 2<sup>nd</sup> April 2017 and 30<sup>th</sup> September 2017. For costing purposes, the regulator has assumed that 50% of this maximum possible number of employers will be affected (i.e. 50,500).

The regulator estimates the total one-off benefit to affected employers of not having to contact the regulator at £268,000. This is 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 total additional one-off cost of familiarisation with the guidance, over and above the cost of familiarisation with the general guidance, which is required for all businesses, at £59,000.

The EANDCB associated with this proposal is, therefore, -£22,258.

## **Quality of submission**

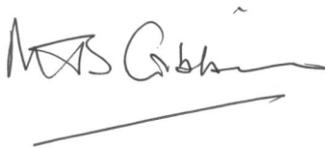
The quality of assessment could have been improved if the regulator had been able to provide robust evidence to support its assumption around the proportion of businesses affected by this proposal. Given, however, the relatively low unit costs and benefits and the one-off nature of this change, the EANDCB would round to zero on any reasonable assumption about the proportion of businesses affected; therefore the RPC is able to verify this BIT assessment.

### Regulator assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net direct cost to business (EANDCB)	-£22,258
Business net present value	£ 209,000

### RPC assessment

Classification	Qualifying regulatory provision (OUT)
EANDCB – RPC validated <sup>1</sup>	Zero
Business Impact Target (BIT) Score <sup>1</sup>	Zero



**Michael Gibbons CBE**, Chairman

---

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

---