

AUTOMATIC ENROLMENT FACTSHEET 6

GROUPS OF COMPANIES

It's important employers fully understand their duties as part of automatic enrolment. To assist with this, Scottish Widows has produced a range of fact sheets covering some of the key technical aspects of the regulations. Further details may be found on The Pensions Regulator's website: <http://www.thepensionsregulator.gov.uk/employers/tools/employer-duties.aspx>

This fact sheet explains how staging dates are determined for groups of companies and following takeovers and mergers.

The number of people in an employer's PAYE scheme as at 1 April 2012 normally determines its staging date for automatic enrolment purposes. An employer that operates a number of PAYE schemes or is part of a complex corporate group may have difficulty in identifying the relevant PAYE scheme for these purposes.

MULTIPLE PAYE SCHEMES

If an employer operates more than one PAYE scheme, its staging date will be based on the PAYE scheme with the greatest number of people in it. The staging date will be the same for all employees, irrespective of which PAYE scheme each employee is in.

Example 1

Company A has 40 employees. The company uses a PAYE scheme, which is shared with another employer. There were 2,400 people in the PAYE scheme on 1 April 2012. This determines Company A's staging date.

Some small employers with fewer than 50 workers have early staging dates, because there were more than 50 individuals in the PAYE scheme they used as at 1 April 2012. Provided an employer can establish it had fewer than 50 workers as at 1 April 2012, it can opt to use a modified staging date, in line with those for the smallest employers. There's a table of these staging dates in chapter 2 of The Pensions Regulator's detailed guidance.

WHICH EMPLOYER?

Employers that are part of a complex corporate group may be unsure how the rules apply to them. Which company within the group the employees have their contract of employment with has a major impact.

Example 2

Company B and Company C are associated as B owns all of C's shares. At 1 April 2012, B had 150 employees who were part of an external PAYE scheme which had 2,000 people in it. C runs an internal PAYE scheme for all of its 35 staff.

If all the employees' contracts of employment are with Company B, the largest PAYE scheme within the group determines the staging date for both companies. This is the external PAYE scheme.

If all of Company B's employees have a contract of employment with Company B and all of Company C's employees have a contract of employment with Company C, each company will have separate duties towards its workers. Company B's staging date will depend on the number of workers in the external PAYE scheme on 1 April 2012. Company C's staging date will be based on the numbers in its own PAYE scheme on 1 April 2012.

In some cases, two or more associated employers with their own workers will have different staging dates, because they each operate their own PAYE scheme. They could align their staging dates if this will be more convenient. An employer can do this by bringing forward a later staging date. It must get its chosen pension provider's agreement and then notify The Pensions Regulator.

MERGERS AND ACQUISITIONS

In most cases, an employer's staging date is based on the number of people in the relevant PAYE scheme as at 1 April 2012. Where companies merge, this will not always be the case.

Example 3

Company D has 70 employees. Company E has 138 employees. They have different staging dates. The companies merged in January 2014.

If each company remains a separate legal entity and keeps its existing contracts of employment with its own workers, each company keeps its own staging date and the existing automatic enrolment duties towards its own workers.

If one of the employers becomes responsible for all the contracts of employment, that employer has the automatic enrolment duties towards all the workers. It keeps its original staging date.

If a takeover or merger results in the creation of a new legal entity, this will be treated as a new employer (see below).

NEW EMPLOYERS

The staging date for a new employer established after 1 April 2012 is determined by the date it first pays PAYE for any of its workers. The table of staging dates for new employers is available in chapter 2 of The Pensions Regulator's detailed guidance.

Every care has been taken to ensure that this information is correct and in accordance with our understanding of the law and HM Revenue & Customs practice, which may change. However, independent confirmation should be obtained before acting or refraining from acting in reliance upon the information given.

Scottish Widows plc. Registered in Scotland No. 199549. Registered Office in the United Kingdom at 69 Morrison Street, Edinburgh EH3 8YF. Telephone: 0131 655 6000.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register number 191517.

54787 01/15