Employer contributions

How much do you need to pay into employees' pension pots?

Explaining your contribution to employees' pension pots

From the date your automatic enrolment duties start, you will be required to contribute to your employees' pension pots on a regular basis. So how much will you need to pay currently – and what's your commitment in the future?

What you must pay and your options

How much you need to pay depends on how much each employee earns. You don't pay anything on the first £6,032 they earn a year, or on anything they earn above £46,350 a year. What you do pay is at least 2% of any earnings in between those two figures. So, if they earn £16,032 a year, you have to pay at least 2% of £10,000.

These payments are known as 'contributions' and are set by the government each year.

There are two ways you can sign up for The People's Pension, which have different approaches to paying into employee pension pots.

Simply Comply

With our Simply Comply route we automatically set the minimum contribution levels for you.

Simply Tailor

Or you can select the flexible options below by signing up to our Simply Tailor option.

- You can pay more than the minimum contributions if you want.
- You can choose a different earnings basis* as long as you still make at least the minimum contribution.

***Earnings basis**

This describes what basis of the employee's earnings you use to calculate pension contributions.

With our Simply Comply set-up route, contributions are based on the standard components of pay – salary, wages, commission, bonuses and overtime, as well as statutory pay for sickness, maternity, paternity and adoption.

With our Simply Tailor set-up route, you can use other definitions of earnings instead – find out more at www.thepeoplespension.co.uk/help/knowledgebase/what-is-an-earnings-basis.

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Minimum contributions

The minimum contributions will be introduced in three stages. As an employer, you have to make the 'Employer minimum contribution' shown below, and then the total contribution is reached by adding the employee's contribution (deducted from their earnings) and tax relief from the government. However, if you wish you can choose to pay the full amount yourself so your employees don't have to.

	Employer minimum contribution	Employee contribution	Tax relief on employee contribution	Total minimum contribution
Until 5 April 2018	1%	0.8%	0.2%	2%
6 April 2018 - 5 April 2019	2%	2.4%	0.6%	5%
6 April 2019 onwards	3%	4%	1%	8%

Helping you with tax relief

The government gives tax relief to employees on the amount of money they contribute to their pension pots. So when you set up your pension scheme, you have to choose one of the two tax relief methods available.

1. The table above is based on the 'relief at source' method, where you deduct employee contributions **after** their earnings are taxed. Then The People's Pension claims back the basic 20% tax rate in tax relief for all employees – even those who don't earn enough to pay tax – and adds it to each pension pot. Higher rate taxpayers can then claim the rest of their tax relief through their tax return.

2. The alternative is the 'net pay arrangement'. This is the more direct method, where you provide employee contributions **before** tax is taken, but it does mean lower paid employees who don't pay tax won't receive any tax relief.

Take a look at our website at **www.thepeoplespension.co.uk/how-tax-relief-works**.

More help with automatic enrolment

1. Got a question for us?

Take a look at our online help and support knowledgebase which answers your questions about The People's Pension and automatic enrolment: **www.thepeoplespension.co.uk/help**

2.Visit our website:

www.thepeoplespension.co.uk/for-small-business

3. Look at our quick guide to automatic enrolment with step by step information on what to do:

www.thepeoplespension.co.uk/resource/are-automatic-enrolment-pensions-alien-to-you

4. You can also download a range of useful guides and technical documents from our resource library:

www.thepeoplespension.co.uk/resource-library

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