

12 February 2016

By email to:

James Newman, Department of Work and Pensions
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**The Association of
Accounting Technicians**

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Dear James

**Association of Accounting Technicians response to Automatic enrolment:
technical changes**

The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the consultation on *Automatic enrolment: technical changes*, released on 26 January 2016.

AAT is submitting this response on behalf of our membership and from the perspective of wider public benefit

AAT has added comment in order to add value or highlight aspects that need to be considered further.

AAT has focussed on the operational elements of the proposals and has provided opinion on the practicalities in implementing the measures outlined.

Furthermore, the comments reflect the potential impact that the proposed changes would have on SMEs and micro-entities, many of which employ AAT members or would be represented by our operationally skilled members in practice.

AAT would usually like a longer period in which to reply but recognises that the consultation period needs to fit in with the legislation being proposed from April 2016.

AAT has not commented on the legal detail of the draft regulations themselves but on the practicalities of the proposals they encapsulate.

AAT supports the aim of these draft measures and indeed welcomes any moves to further ease the burden on employers in meeting their auto-enrolment duties, while ensuring that there are no undue negative consequences for employees of these employers. These draft measures are particularly important and timely given the fact that the rollout of auto-enrolment is impacting small and micro businesses that have limited payroll and HR resources, and who are therefore disproportionately impacted by the administrative burden of auto-enrolment.

Exceptions to the employer duty

Company directors

AAT believes the proposed exemption from auto-enrolment of Director only companies where two or more directors have contracts of employment is a sensible and proportionate amendment to the regulations. Such an exception will help reduce the administrative burden and cost to small

businesses of complying with the regulations. AAT supports the government's proposal that companies should be given the discretion to exempt directors from the duty to enroll where they have a contract of employment with the company.

AAT agrees with the government's view that the group of individuals affected by these proposals are not the target group for auto-enrolment as they are likely to have their own pension saving. AAT believes it is appropriate to keep opt-in rights for individuals who may take advantage of this proposed exemption.

Limited Liability Partnerships (LLPs)

AAT shares the view of the Government that while self-employed LLP members may be deemed to be 'workers' for the purposes of employment law, as confirmed in the Supreme Court decision in *Clyde & Co LLP v Bates van Winkelhof*, partners within LLPs share characteristics with Directors of companies that make it suitable for them to also be given the discretion to be exempt from auto-enrolment employer duties. AAT believes such an exception is proportionate, provided the legislation ensures only genuine partners of LLPs are exempted.

AAT does not have figures as to the cost of implementing the exemption, but believes that cost will be lower than the cost of not having the exemption at all.

Tax protected status

AAT supports the government's proposal to make an amendment to its regulations of April 2015, which provided for an exception to the employer auto-enrolment duty where an employer has reasonable grounds to believe a worker has transitional protection rights in relation to the Lifetime Allowance. This amendment will reflect the reduction in the Lifetime Allowance from £1.25million to £1million with effect from April 2016. AAT notes this reduction in the Lifetime Allowance will increase significantly the number of individuals affected by it.

Compliance easements – reducing complexity and decisions that have to be made by employers

AAT does not have detailed contributions to make on the proposed compliance easements, but supports the government's aims of simplifying the process for the re-declaration of compliance and also of removing prescriptive conditions for the bringing forward of staging dates

About AAT

AAT is a professional accountancy body with over 49,700 full and fellow members and 85,500¹ student and affiliate members worldwide. Of the full and fellow members, there are over 4,200 Members in Practice who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

Thank you for the opportunity to respond to the consultation on *Auto enrolment: technical changes*.

¹ figures correct as at 31 December 2015

Further information

If you have any questions or would like to discuss any of the points in more detail then please contact Aleem Islan, Technical Manager, at consultation@aat.org.uk or Brian Palmer, Tax Policy Advisor, at aat@taxpolicyadvice.com

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adam Harper'.

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