

2 March 2017

Mr James Newman
Department for Work and Pensions
Automatic Enrolment Policy Team
Zone C, 1st Floor
Caxton House
London
SW1H 9NA

Dear Mr Newman,

Association of Accounting Technicians response to the Department for Work & Pensions consultation on “Technical Changes to Automatic Enrolment”

The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the latest DWP consultation document on “Technical Changes to Automatic Enrolment”.

AAT is submitting this response on behalf of our membership and for the wider public benefit of trying to achieve a sound and effective system of administration for Automatic Enrolment.

AAT has commented on the operational aspects in order to add value or highlight practical issues in implementing the measures outlined. 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 licensed accountants.

Question 1. Do you agree with the proposed changes set out in the draft Statutory Instrument?

AAT is a professional accountancy body and is commenting from that perspective rather than from the legal perspective of whether or not the draft regulation will work as intended.

AAT agrees with the principle of allowing new employers to postpone the enrolment of their first employees or workers for three months, which is consistent with those employers who have been able to postpone since staging began in October 2012.

Therefore, this easement is welcomed as it reduces the administrative burden on new employers - at what is likely to be the busiest time when the business is being set up - by giving them more time to comply.

Question 2. Do you have any concerns about the description of the new proposed AE duties trigger date set out in the draft Statutory Instrument, and whether this date will be easily understood by employers? If so, please provide details, or propose an alternative description of the duties trigger date.

AAT has no concerns about the description for the new proposed AE duties trigger date.

However, AAT is concerned by the use of the term “worker” as it continues to confuse businesses and in particular the micro business owner. The terminology proposed in draft regulation 4(c) that it should also be the date “the employer’s first worker begins to be employed by the employer.” is likely to be confusing. AAT accepts that the AE regulations prefer to use the term “worker” as it has a wider context than simply using “employee”, however in this case many would argue that as soon as a worker is employed, in other words the employee and worker enter into a real or implied employment contract then the person becomes an employee. This is the simplistic terminology that is needed for micro business owners.

Using the terminology as it stands simply allows a new business owner to incorrectly believe that they can avoid all of the AE requirements by never putting the person in a position where they become employed.

AAT would suggest a simpler definition of “the employer first engages a worker to whom the regulations apply.” The term “engages” will still prove to be troublesome for some new employers, however there has to be an engagement at some point and in some cases that will entail employment and therefore may be more easily understood.

Question 3. Do you have any other comments on the content of the draft Statutory Instrument?

In the proposed new regulation 4B, 7(a) refers to the engagement of a worker where there is a PAYE scheme and 4B, 7(b) refers to the situation where there is no PAYE scheme. AAT is concerned about the different treatments between new businesses:

- who pay PAYE income that have to comply with the changes from 1 October 2017; whereas
- where the employer does not have a PAYE scheme in place then it would apply six months earlier from 1 April 2017.

AAT foresees many situations where the new business will simply not understand the distinction here because as soon as AE duties fall upon the business owner they require a PAYE scheme in order to administer and manage the process and particularly any deductions due from the worker. There are many good business reasons why a new business will utilise the services of a person but will refrain from setting up a PAYE scheme until it is clear that one is needed. By making them comply with AE before the point at which PAYE is due and where HMRC may become involved simply forces the business to set up a payroll well in advance of any real business reason to do so.

This imposes an unnecessary burden upon the new business and one which ought to be avoided.

AAT therefore considers the requirement in 4B, 7(b) should be removed and that only the conditions in 4B, 7(a) be retained.

About AAT

AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are over 4,250 licensed accountants 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.

If you have any queries or require any further information, please do not hesitate to contact our Technical Consultation Manager, Aleem Islam, at consultation@aat.org.uk

Yours sincerely,



Adam Harper
Director of Strategy and Professional Standards
t: +44 (0)20 7397 3075 e: adam.harper@aat.org.uk

