



WORKPLACE PENSION OBLIGATIONS

A COMPLIANCE HANDBOOK FOR BUSINESS OWNERS IN THE UK

TAX YEAR: 2026 – 2027

Updated: April 2026

SUMMARY

(OVERVIEW)



Workplace pension auto enrolment is a legal obligation for most businesses in the United Kingdom that employ staff.

Businesses are responsible for:

- Assessing employee eligibility
- Automatically enrolling eligible employees into a pension scheme
- Making pension contributions at the required rates
- Submitting compliance declarations to the relevant authority

Key Points Businesses Should Note:

- The obligations apply regardless of business structure (Ltd company, partnership, etc.)
- Duties arise as soon as there are eligible employees
- Obligations still apply to part-time employees

Which Businesses Are NOT Required?

- A company with only one director and no employees

Non-compliance may lead to substantial financial penalties and significant legal liabilities.

WHO MUST BE ENROLLED?

BUSINESSES MUST CATEGORISE EMPLOYEES INTO THE FOLLOWING 3 GROUPS:

ELIGIBLE JOBHOLDERS (MANDATORY AUTO ENROLMENT)



Employees must be automatically enrolled into a workplace pension scheme if they meet the following conditions:

- **Age:** Between 22 and State Pension Age
- **Earnings:** More than £10,000 per year

Employers must:

- Carry out automatic enrolment
- Make employer pension contributions

NON-ELIGIBLE JOBHOLDERS



Earnings:

Between £6,240 and £10,000 per year

- Or : Outside the qualifying age range above

→ **The employer must still enrol the employee and make contributions if the employee chooses to opt in.**

ENTITLED WORKERS



Earnings:

Below £6,240 per year

Entitlement: Employees have the right to request to join a pension scheme.

Requirement: The employer is NOT required to make pension contributions for this group (although voluntary contributions may still be made if desired).

EMPLOYER RESPONSIBILITIES



ASSESS

Review employee age and earnings during each payroll cycle.



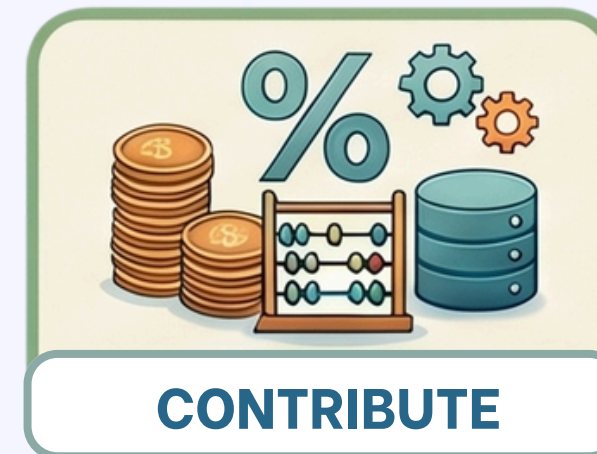
ENROL

Enrol eligible employees into a workplace pension scheme.



NOTIFY

1. Issue a formal notification letter to employees
2. Explain their entitlements and opt-out rights



CONTRIBUTE

1. Make contributions at the correct rates
2. Ensure integration with the payroll system



REPORT

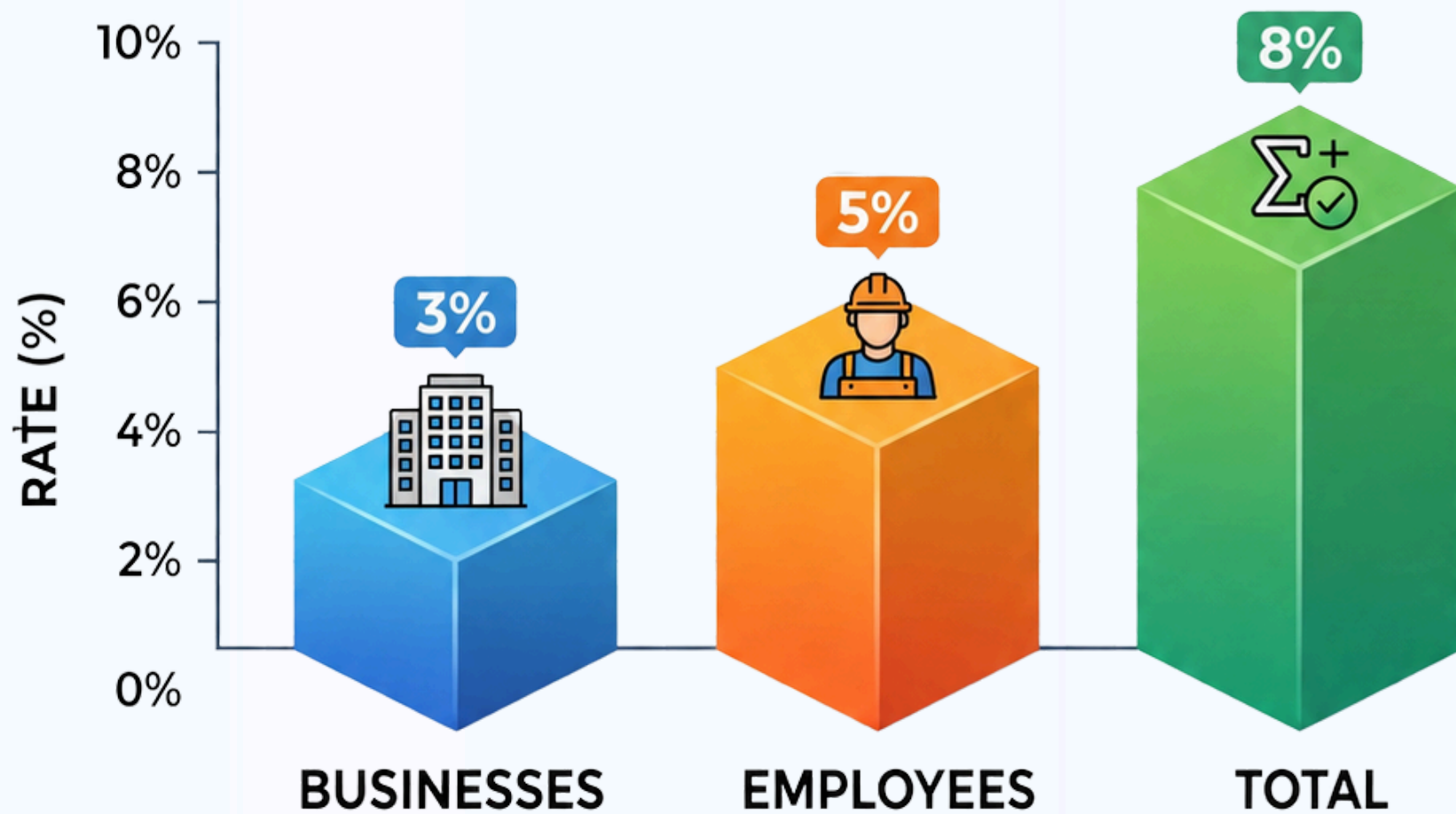
Submit a Declaration of Compliance.

CONTRIBUTION RATES



QUALIFYING EARNINGS

From **£6,240** to **£50,270** per year



Contributing party: **Businesses**
Rate: 3%
Note: Mandatory obligation

1

Contributing party: **Employees**
Rate: 5%
Note: Includes tax relief

2

Contributing party: **Total**
Rate: 8%
Note: In accordance with regulations

3

Notes

- Contributions are calculated based on qualifying earnings
- Contributions are deducted directly through payroll
- Payments must be made to the pension provider on time

EMPLOYEE RIGHTS

OPTING OUT



Within 1 Month

Employees are entitled to receive a full refund of any contributions deducted.

REJOINING

- Can request re-enrollment at any time



Employees may request to rejoin the pension scheme at any time.

AFTER 1 MONTH



- Pension funds cannot normally be withdrawn.
- The funds remain invested until retirement age.

RE-ENROLMENT



Re-enrolment must be carried out **every 3 years**. This applies to employees who previously opted out but remain eligible.

RISKS & PENALTIES

1. Fixed Penalty

report document
 £400 for non-submission of report → **£400**
 Fixed

2. Daily Penalty

BUSINESS SCALE	Penalty Rate/Day
BUSINESS SCALE	
 Small	Penalty Rate/Day: £50
 Medium	Penalty Rate/Day: £500
 Large	Penalty Rate/Day: £10,000

Backdated Contributions

- Businesses may be required to pay all missed pension contributions retrospectively.
- This applies from the date the employee first became eligible.

Investigation or Legal Enforcement Action

- **Serious breaches may result in investigation or prosecution**

BUSINESSES SHOULD ENSURE THAT:

A suitable pension scheme has been selected ✓



Payroll is integrated with auto enrolment requirements ✓



Employees are assessed regularly ✓



Statutory employee communications have been issued correctly ✓



Contributions are paid on time



Submitted

The Declaration of Compliance has been submitted



Auto-Reg

Re-enrolment dates have been scheduled correctly



HOW WE SUPPORT BUSINESSES



**Setting up suitable
workplace pension
schemes**



**Integrating
pensions with
payroll systems**



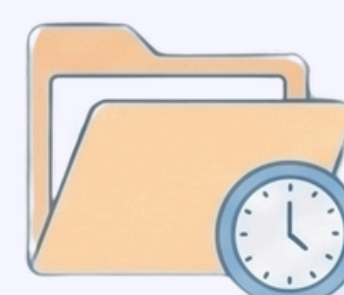
**Managing
monthly pension
contributions**



**Ensuring ongoing
compliance**



**Carrying out periodic
re-enrolment**



**Submitting
reports on time**

CONTACT INFORMATION

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