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GRAYSIDE

FINANCIAL SERVICES

Auto-enrolment

Increases in contributions pushed back by six months

Over 5.4 million individuals have already been auto-enrolled into a pension, and the number of opt-outs from automatic enrolment have been low, making the current amount of people who are saving for their retirement the highest since 1997.

The total minimum auto-enrolment payment is currently 2% of salary – split between contributions from individuals and employers, and tax relief from the Government.

Workers aged between 22 and State Pension age and earning at least £10,000 a year from one job are now automatically enrolled into a pension, unless they make an active move to opt out.

Chancellor George Osborne announced that increases in auto-enrolment contributions have been pushed back by six months, meaning the full combined 8% of contributions will not be mandatory until April 2019. The delay has been introduced to help employers with the administration of the increase.

To simplify the administration of automatic enrolment for the smallest employers in particular, the next two phases of minimum contribution rate increases will be aligned to the tax years.

The increase in the employer minimum contribution from 1 to 2% and the total minimum contribution increase from 2 to 5% will now take place in April 2018, rather than 1 October 2017 as had previously been planned. The further employer contribution increase to 3% and total contribution increase to 8% will now take place in April 2019.

ARE YOUR FINANCIAL PLANS STILL ON TRACK AFTER THE SPENDING REVIEW AND AUTUMN STATEMENT 2015?

There were some positive announcements for individuals and businesses, but it's clear that raising tax revenue is very much on the Chancellor's agenda to help balance the UK's books. To review what action you may need to take to keep your plans on track, please contact us.

MR OSBORNE SAID: 'TO HELP BUSINESSES WITH THE ADMINISTRATION OF THIS IMPORTANT BOOST TO OUR NATION'S SAVINGS, WE'LL ALIGN THE NEXT TWO PHASES OF CONTRIBUTION RATE INCREASES WITH THE TAX YEARS.'

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