



Do directors need to auto enrol?

Companies need to auto enrol most formally employed staff in the UK onto pension schemes. It is then up to the individual if they want to opt out.

Continue reading at page 2

HOWEVER, DIRECTORS ARE OFTEN EXEMPT FROM AUTO-ENROLMENT DUTIES, EVEN IF THEY HAVE AN EMPLOYMENT CONTRACT.

When does a director become a 'worker' for auto-enrolment purposes?

Directors are people in companies that formally hold a director position under the Companies Act 2006. They should be high up in the corporate governance structure and must also have genuine decision-making roles in the firm.

A director, however, can become a 'worker' for enrolment purposes if they fulfil the following criteria:

1. The company has a contract of employment with them.
2. Somebody else in the company has a contract of employment.

Directors who do not need to enrol

Directors who do not have an employment contract with the firm are not, according to the Pensions Regulator, a worker and, therefore, do not qualify for auto-enrolment. This applies even if there are other directors in the company with contracts of employment. The organisation, therefore, is only an employer about individuals with employment contracts.



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Rules for sole directors

However, there is one situation in which a director does not have to auto-enrol even if they have a contract of employment: when they are the sole director and there are no other formal employees. According to the Pensions Regulator, a single director is not an employer if none of the other staff (including directors) is employed under employment contracts.

For example, a single director might hire other people on a freelance basis to perform work for the company. In this situation, they would not be obliged to auto-enrol under this setup, so long as they did not sign any formal employment contract.

DECLARATION OF COMPLIANCE

If you are a sole director, you do not need to fill out a declaration of compliance. However, you should tell the pension authority that you are not an employer to reduce the likelihood of an audit. If you are already under investigation, seek help from audit support services, such as Taxcare Accountancy.

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