

## Auto Enrolment, qualifying earnings are contribution limits

---

Below are some notes on how to calculate the appropriate auto enrolment pension contributions for enrolled employees along with the current and future contribution levels:

### How do I calculate contributions if I'm using qualifying earnings?

Qualifying earnings is the name given to a band of earnings that you can use to calculate contributions for auto enrolment. For the 2018/19 tax year this is between £6,032 and £46,350 a year. The figures will be reviewed every year by the government.

If you're using qualifying earnings, you'll contribute a percentage of your worker's gross annual earnings that fall between £6,032 and £46,350. The first £6,032 of their earnings isn't included in the calculation. For example, if a worker earns £20,000 their qualifying earnings would be £13,968.

This means that qualifying earnings can't be more than £40,318 (£46,350 minus £6,032) for the 2018/19 tax year. These are annual figures. Because you pay contributions every time you pay your workers, you'll need to work out qualifying earnings for each pay period in turn. You'll use the pro rata figures to calculate contributions.

The table below shows the lower and upper levels of qualifying earnings for some commonly used pay periods. If you pay workers weekly, use the weekly figures.

Pay periods	Lower level of qualifying earnings	Upper level of qualifying earnings
Weekly and tax weekly	£116	£892
Fortnightly	£232	£1,783
Four weekly	£464	£3,566
Monthly and tax monthly	£503	£3,863

When you're calculating a worker's qualifying earnings for a pay period, you need to include all of the following within your calculations:

- their salary or wages
- overtime
- bonuses
- commission
- statutory sick pay
- statutory pay someone receives during paternity, maternity or any other kind of family leave
- adoption pay
- holiday pay

If you calculate contributions using qualifying earnings, you'll need to use the threshold. You'll need to subtract the threshold from the total pay to get the pensionable pay for the worker and then calculate the contributions basis the contribution level you've set for the worker.

For example, **Lower level of qualifying earnings:** If a worker is paid weekly and earned £200, you'll need to subtract the threshold of £116 from the total pay (£200 minus £116) to get the pensionable pay of £84. You'll then need to calculate the contributions based on that amount.

**Upper level of qualifying earnings:** If a worker is paid weekly and earned £2000, you'll only consider the upper level threshold of £892 and subtract the lower level threshold of £116 (£892 minus £116) to get the pensionable pay of £776. You'll then need to calculate the contributions based on that amount.

Please check the Pensions Regulator website at [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk) for more information about which part of a workers earnings to use.

The legal minimum contribution rates vary depending on what part of a worker's earnings you use to calculate contributions. If you're using qualifying earnings to calculate contributions for a worker, their minimum contribution rates are:

<b>Date</b>	<b>Minimum contributions (as a percentage of a worker's pensionable earnings)</b>
October 2012 to 5 April 2018	Total contribution: 2 per cent. The employer must pay at least 1 per cent. The worker must pay at least 1 per cent.
6 April 2018 to 5 April 2019	Total contribution: 5 per cent. The employer must pay at least 2 per cent. The worker must pay at least 3 per cent.
6 April 2019 onwards	Total contribution: 8 per cent. The employer must pay at least 3 per cent. The worker must pay at least 5 per cent.