

Auto-Enrolment Explained for Contractors, Freelancers & Agencies

Paying Yourself

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If you've recently received a letter from The Pensions Regulator about auto-enrolment, don't panic. For many freelancers and contractors operating through a limited company, this is completely normal, especially when setting up payroll for the first time. However, if you are employing someone other than yourself, complying with auto-enrolment is important, so please read on.

This guide explains when auto-enrolment applies, when it doesn't, and the different ways directors can contribute towards retirement.

What is auto-enrolment?

Auto-enrolment is a legal requirement for employers to automatically enrol eligible employees into a workplace pension scheme and make pension contributions on their behalf.

The rules are overseen by The Pensions Regulator. As an employer, you normally need to:

- Assess workers each pay period
- Enrol eligible employees into a pension
- Make employer pension contributions
- Submit declarations to The Pensions Regulator
- Keep records and ongoing compliance in place

However, many small limited companies are exempt as we'll cover next.

Does auto-enrolment apply to a one-director company?

Usually, no. If your company has:

- Only one director (i.e. you), and
- No employees, and
- No other directors with employment contracts

Then auto-enrolment duties generally do not apply. This is the most common setup for freelancers and contractors operating through their own limited company.

In these cases:

- You do not need a workplace pension scheme
- You do not need to enrol yourself
- You do not need to make employer pension contributions
- You do not need to complete ongoing pension filings

However, you may still receive letters from The Pensions Regulator asking you to confirm that your company is exempt. This is normal and doesn't take long to do.

When does auto-enrolment become relevant?

Auto-enrolment usually becomes relevant if your company hires staff.

Examples include:

- Employing an administrator or assistant
- Hiring a spouse as an employee
- Taking on part-time staff
- Employing another director under an employment contract

Once you employ eligible staff, your company may need to:

- Set up a workplace pension
- Automatically enrol eligible employees
- Make minimum employer contributions
- Process pension deductions through payroll

Who must be auto-enrolled?

Employees generally need to be auto-enrolled if they:

- Are aged between 22 and State Pension age
- Earn over the auto-enrolment earnings threshold (covered below)
- Work in the UK

Even where employees do not qualify for automatic enrolment, they may still have rights to opt in or join a pension scheme.

What are the earnings thresholds?

The auto-enrolment thresholds for 2026/27 remain unchanged from 2025/26:

- Earnings trigger for automatic enrolment: £10,000 per year
- Lower level of qualifying earnings: £6,240
- Upper level of qualifying earnings: £50,270

Monthly equivalents are commonly shown as:

- Auto-enrolment trigger: £833 per month
- Lower qualifying earnings limit: £520 per month
- Upper qualifying earnings limit: £4,189 per month

In practice:

- Employees earning over £10,000 who meet the age requirements generally must be auto-enrolled.
- Pension contributions are typically calculated only on earnings between £6,240 and £50,270 under a qualifying earnings basis.

- Employees earning below £10,000 can still ask to opt in. Depending on earnings levels, employer contributions may still be required.

Why am I receiving letters from The Pensions Regulator?

When your company starts paying someone through payroll, HMRC notifies The Pensions Regulator that you've become an employer. As a result, even exempt companies may receive:

- Auto-enrolment letters
- Duties notices
- Requests to complete a declaration

If your company is exempt because it only has one director and no employees, you will usually just need to complete a declaration confirming this. Ignoring the letters isn't recommended as it's a quick process and penalties can arise if The Pensions Regulator believes duties apply and receives no response.

What should I do when I receive the letter?

The first letter from The Pensions Regulator will usually confirm your duties start date. This is the date that auto-enrolment responsibilities officially begin for your company.

The letter will normally direct you to:

- www.tpr.gov.uk/start-online to understand your duties and complete the initial setup process
- www.tpr.gov.uk/status-update to complete your declaration of compliance

You'll normally need your PAYE reference and the 10-digit letter code shown in the top-right of the letter.

Even if your company is exempt because it only has one director and no employees, you should still complete the declaration confirming this.

The declaration of compliance is usually due within 5 months of your duties start date. Missing this deadline can lead to warning notices and penalties.

If your company later hires employees, your auto-enrolment responsibilities may change and you may need to reassess your position.

In most cases, the process is:

1. Review your workforce and payroll setup
2. Determine whether any workers qualify for auto-enrolment
3. Complete the declaration of compliance with The Pensions Regulator
4. If required, set up a workplace pension scheme and begin assessing staff through payroll

What happens if an employee earns £12,570?

A common scenario for limited company owners is employing a spouse or family member on a salary around £12,570 per year.

As this is above the £10,000 auto-enrolment earnings trigger, they will generally need to be automatically enrolled into a workplace pension scheme if they:

- Are aged between 22 and State Pension age

- Work in the UK

In practice, this means:

- You must assess them through payroll
- You must enrol them into a workplace pension
- Pension contributions will begin unless they choose to opt out, which we cover below.

What if the employee is also a director?

Directors are treated slightly differently for auto-enrolment purposes.

In many husband-and-wife limited companies, both individuals are directors of the company. In these situations, a director will often be exempt from auto-enrolment if they do not have an employment contract with the company.

This means that even if:

- the director earns more than the £10,000 earnings trigger, and
- they are over age 22,

Auto-enrolment may still not apply. However, non-director employees (or directors with employment contracts) may still create auto-enrolment duties, so it's important to assess each worker individually.

Can eligible employees opt out?

Yes. After being enrolled, employees can usually opt out through the pension provider.

Important points:

- Employers cannot force or encourage employees to opt out
- The opt-out process must be initiated by the employee
- Refunds are normally available if they opt out within the statutory opt-out window

If an employee opts out, the employer generally stops pension deductions and contributions going forward.

Importantly, employees can only opt out after they have first been enrolled into the pension scheme. Employers should therefore ensure auto-enrolment duties are dealt with promptly after employing eligible staff.

What pension providers are commonly used?

Common workplace pension providers include:

- NEST
- Smart Pension
- The People's Pension
- Penfold

Different providers have different onboarding processes, contribution methods and payroll integrations.

What are the minimum contribution rates?

If the employee remains enrolled, minimum pension contributions currently total 8% of qualifying earnings, made up of:

- Employer contribution: 3% (e.g. the company pays)
- Employee contribution: 5% (e.g. the employee pays)

Qualifying earnings are generally earnings between £6,240 and £50,270 for 2026/27.

How does Mighty support with auto-enrolment?

We can certainly advise and help you understand if auto-enrolment applies. If it does, we can also process the auto-enrolment contributions via payroll. However, you would need to:

- Complete the compliance steps with The Pensions Regulator
- Upload the monthly contributions with your chosen workplace pension provider

Can directors still contribute to pensions if auto-enrolment doesn't apply?

Yes, most directors will make contributions, but they'll do so outside of auto-enrolment and instead the company will make contributions directly into a pension on your behalf. We cover this in more detail in our pensions article [here](#).

Key takeaways

If you run a single-director limited company with no employees, auto-enrolment usually does not apply.

However:

- You may still need to confirm your exemption with The Pensions Regulator
- Auto-enrolment can become relevant once employees are hired
- Directors can still make pension contributions without a workplace pension
- Company pension contributions are often very tax efficient

If you are unsure whether your company has auto-enrolment duties, it is important to check before ignoring any correspondence from The Pensions Regulator. Please reach out to your dedicated accountant or support@mightyaccounting.com if you have any questions.

Related guides

- [Paying Into A Pension Via Your Limited Company](#)

Read this guide online (always the latest version): <https://app.mightyaccounting.com/Knowledge/article/auto-enrolment-explained>