

IRIS PAYE-Master

Guide to creating Now pension deductions

01/07/2015



Introduction.....	2
Salary Sacrifice pension - based on Banded Earnings	3
Net Pay Arrangement/Gross - based on Banded Earnings	5
Salary Sacrifice pension - Basic Pay or Total Earnings.....	7
Net Pay Arrangement - based on Basic Pay or Total Earnings	9

Introduction

This guide will give you an overview of how to configure your pension deductions depending on your pension scheme in the payroll. Creating the output file is covered in a separate guide, see the Pension Guide for more information.

The guide covers:

- Creating an employee pension deduction
- Creating an employer pension deduction

Now: Pensions permit employers to calculate the pension deduction based on a percentage of Banded Earnings, Basic Pay, or Total Earnings; for more information click [here](#).

The tax basis of the pension deduction can be via Salary Sacrifice or Net Pay Arrangement (also known as Gross); for more information click [here](#).

For instructions on how to setup the employee and employer pension deduction, select your pension scheme option from the list:

- [Salary Sacrifice pension - based on Banded Earnings](#)
- [Net Pay Arrangement/Gross - based on Banded Earnings](#)
- [Salary Sacrifice pension - Basic Pay or Total Earnings](#)
- [Net Pay Arrangement - based on Basic Pay or Total Earnings](#)

Salary Sacrifice pension - based on Banded Earnings

A Salary Sacrifice pension deduction is deducted from the employee's pay before Tax and NI is calculated, which means the employee is due to pay less Tax and NI.

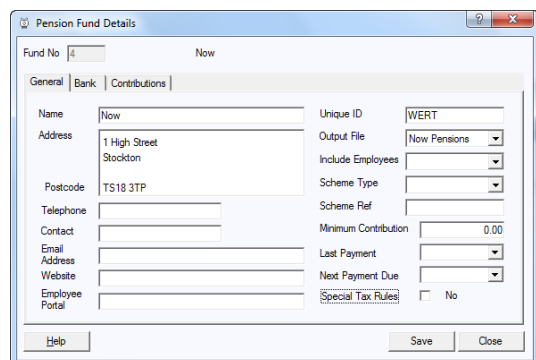
A Banded Earnings pension deduction is calculated as a percentage of the employee's Qualifying Earnings between the lower limit and upper limit. For tax year 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

Add employee and employer pension deductions:

1. Go to the **Pensions** menu and select '**Configure Pensions**'
2. Click on '**Add New**'
3. On the **General** tab, if you haven't configured your Now pension fund already, enter all the details you have for Now Pensions
4. In the **Unique ID** field, enter your Now Pensions: ER Code

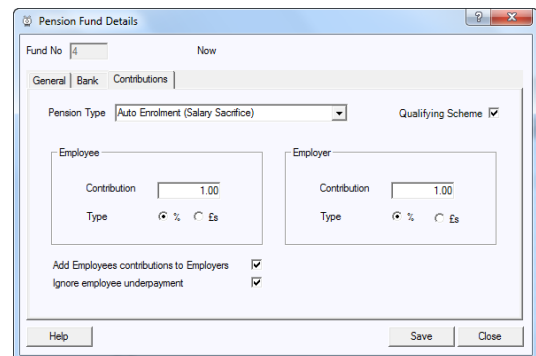
In the **Output File** field, select '**Now Pensions**'

In the **Include Employees** field, select '**This fund only**'



5. Select '**Contributions**' tab
6. In the **Pension Type** field, select '**Auto Enrolment (Salary Sacrifice)**'
7. Tick '**Qualifying Scheme**' box
8. In the **Employee** and **Employer** sections, enter the pension contribution amounts to be applied when an employee is automatically enrolled.

Choose the contribution **Type**, in most cases this will be **%**



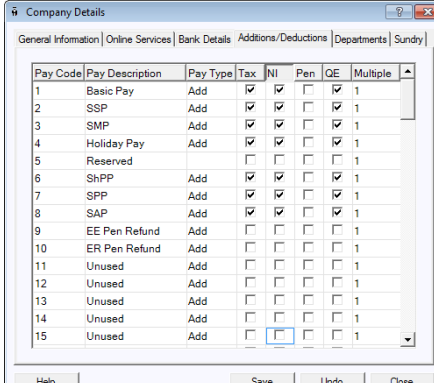
9. Tick '**Add Employees contributions to Employers**' box
10. Tick '**Ignore employee underpayment**' box
11. Click '**Save**' and then '**Close**'
12. Click '**OK**'

Configure pension deduction pay elements:

1. Go to the **Company** menu and select '**Details**'
2. Select '**Additions/Deductions**' tab
3. Tick '**QE**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment

The employees' pension contribution will also be calculated on these pay elements

4. Click '**Save**' and then '**Close**'



Pay Code	Pay Description	Pay Type	Tax	NI	Pen	QE	Multiple
1	Basic Pay	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1
2	SSP	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1
3	SMP	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1
4	Holiday Pay	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1
5	Reserved		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
6	ShPP	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1
7	SPP	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1
8	SAP	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1
9	EE Pen Refund	Add	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
10	ER Pen Refund	Add	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
11	Unused	Add	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
12	Unused	Add	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
13	Unused	Add	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
14	Unused	Add	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
15	Unused	Add	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1

Net Pay Arrangement/Gross - based on Banded Earnings

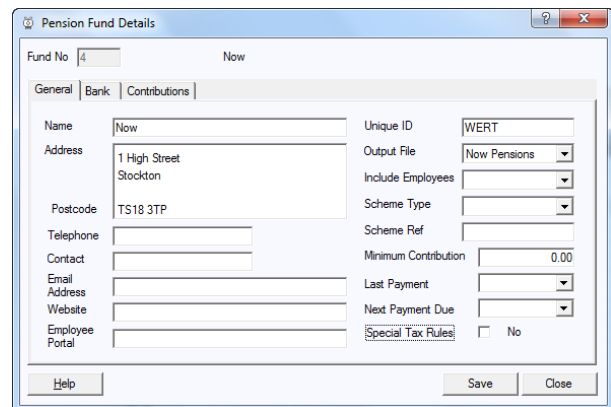
During payroll, a Net Pay Arrangement pension is deducted from the employee's pay after NI is calculated but before Tax is calculated. This means the employee's Taxable Gross pay is reduced and the employee is due to pay less Tax from their pay.

A Banded Earnings pension deduction is calculated as a percentage of the employee's Qualifying Earnings between the lower limit and upper limit. For tax year 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

Add employee and employer pension deductions:

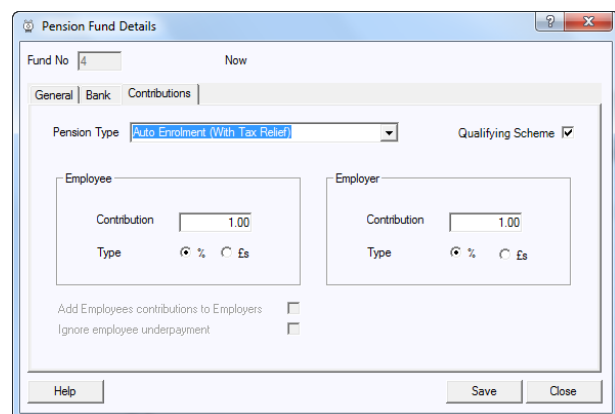
1. Go to the **Pensions** menu and select '**Configure Pensions**'
2. Click on '**Add New**'
3. On the **General** tab, if you haven't configured your Now pension fund already, enter all the details you have for Now Pensions
4. In the **Unique ID** field, enter your Now Pensions: ER Code

In the **Output File** field, select '**Now Pensions**'



In the **Include Employees** field, select '**This fund only**'

5. Select '**Contributions**' tab
6. In the **Pension Type** field, select '**Auto Enrolment (With Tax Relief)**'
7. Tick '**Qualifying Scheme**' box
8. In the **Employee** and **Employer** sections, enter the pension contribution amounts to be applied when an employee is automatically enrolled.



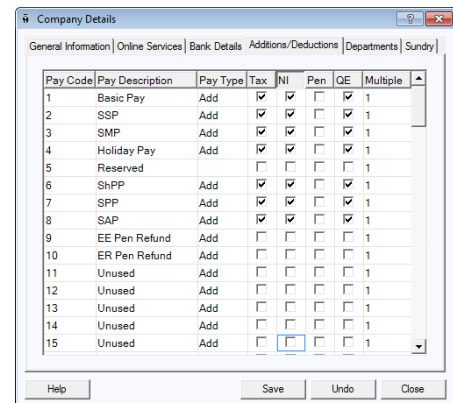
Choose the contribution **Type**, in most cases this will be **%**

9. Click '**Save**' and then '**Close**'

Configure pension deduction pay elements:

1. Go to the **Company** menu and select '**Details**'
2. Select '**Additions/Deductions**' tab
3. Tick '**QE**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment

The employees' pension contribution will also be calculated on these pay elements
4. Click '**Save**' and then '**Close**'



Salary Sacrifice pension – Basic Pay or Total Earnings

A Salary Sacrifice pension deduction is deducted from the employee's pay before Tax and NI is calculated, which means the employee is due to pay less Tax and NI.

The pension deduction is calculated as a percentage of earnings you specified when setting up the Now: Pensions scheme by choosing one of the following options:

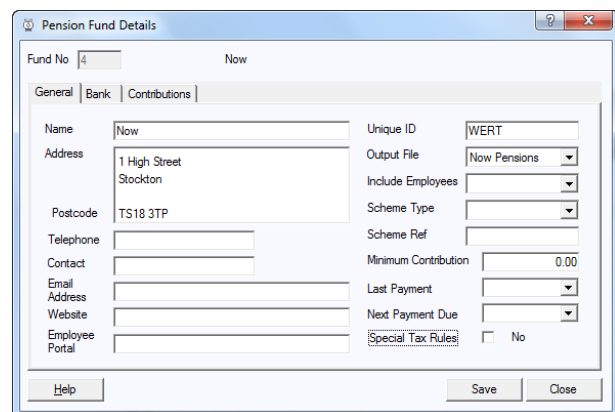
- **Basic Pay** – the gross earnings of the employee, for example the employee's salary. This doesn't take into account any additional pay elements, such as overtime, bonuses, commission or shift premium pay.
- **Total Earnings** – the total pay due for the pay period before deductions. This includes any additional pay elements, such as overtime or bonuses.

Add employee and employer pension deductions:

1. Go to the **Pensions** menu and select '**Configure Pensions**'
2. Click on '**Add New**'

3. On the **General** tab, if you haven't configured your Now pension fund already, enter all the details you have for Now Pensions
4. In the **Unique ID** field, enter your Now Pensions: ER Code

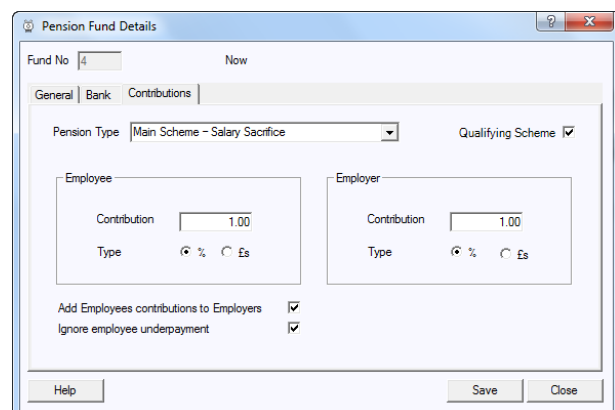
In the **Output File** field, select '**Now Pensions**'



In the **Include Employees** field, select '**This fund only**'

5. Select '**Contributions**' tab
6. In the **Pension Type** field, select '**Main Scheme – Salary Sacrifice**'
7. Tick '**Qualifying Scheme**' box
8. In the **Employee** and **Employer** sections, enter the pension contribution amounts to be applied when an employee is automatically enrolled.

Choose the contribution **Type**, in most cases this will be **%**

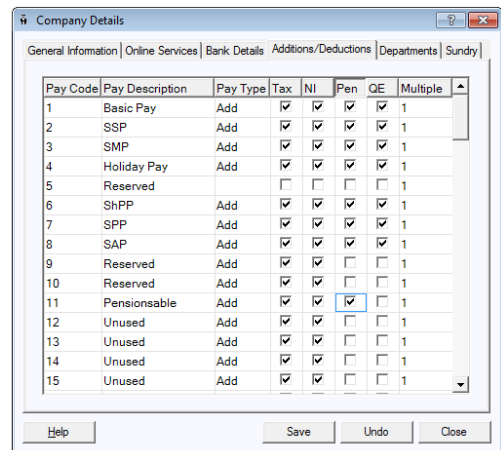


9. Tick '**Add Employees contributions to Employers**' box
10. Tick '**Ignore employee underpayment**' box
11. Click '**Save**' and then '**Close**'

Configure pension deduction elements:

1. Go to the **Company** menu and select '**Details**'
2. Select '**Additions/Deductions**' tab
3. In the **Pen** column, tick all the pay elements you want the pension deduction to be calculated on

Tick '**QE**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment
4. Click '**Save**' and then '**Close**'



Pay Code	Pay Description	Pay Type	Tax	NI	Pen	QE	Multiple
1	Basic Pay	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	1
2	SSP	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	1
3	SMP	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	1
4	Holiday Pay	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	1
5	Reserved		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
6	ShPP	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	1
7	SPP	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	1
8	SAP	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	1
9	Reserved	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
10	Reserved	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
11	Pensionsable	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1
12	Unused	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
13	Unused	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
14	Unused	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1
15	Unused	Add	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1

Net Pay Arrangement - based on Basic Pay or Total Earnings

During payroll, a Net Pay Arrangement pension is deducted from the employee's pay after NI is calculated but before Tax is calculated. This means the employee's Taxable Gross pay is reduced and the employee is due to pay less Tax from their pay.

The pension deduction is calculated as a percentage of earnings you specified when setting up the Now: Pensions scheme by choosing one of the following options:

- **Basic Pay** – the gross earnings of the employee, for example the employee's salary. This doesn't take into account any additional pay elements, such as overtime, bonuses, commission or shift premium pay.
- **Total Earnings** – the total pay due for the pay period before deductions. This includes any additional pay elements, such as overtime or bonuses.

Add employee and employer pension deductions:

1. Go to the **Pensions** menu and select '**Configure Pensions**'

2. Click on '**Add New**'

3. On the **General** tab, if you haven't configured your Now pension fund already, enter all the details you have for Now Pensions

4. In the **Unique ID** field, enter your Now Pensions: ER Code

In the **Output File** field, select '**Now Pensions**'

In the **Include Employees** field, select '**This fund only**'

5. Select '**Contributions**' tab

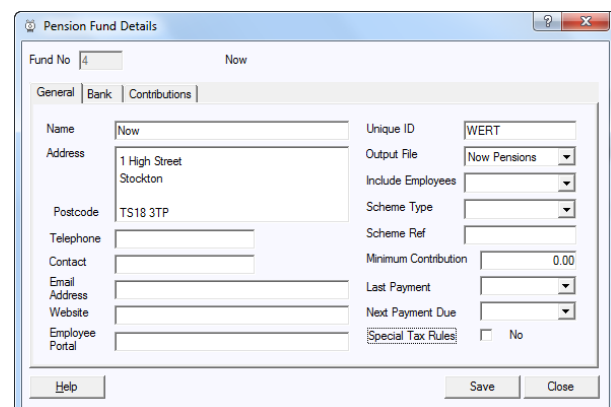
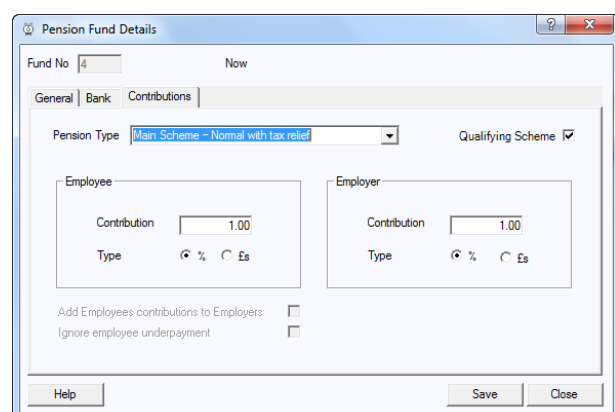
6. In the **Pension Type** field, select '**Main Scheme – Normal with tax relief**'

7. Tick '**Qualifying Scheme**' box

8. In the **Employee** and **Employer** sections, enter the pension contribution amounts to be applied when an employee is automatically enrolled.

Choose the contribution **Type**, in most cases this will be **%**

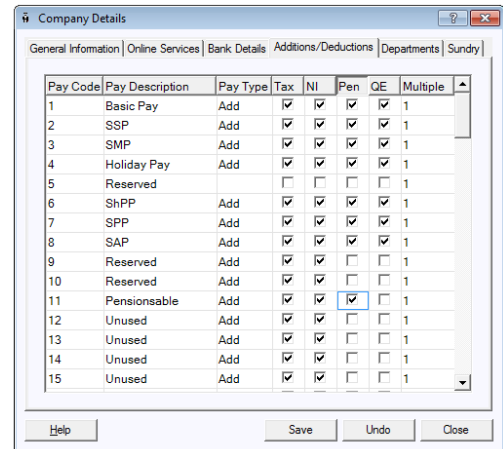
9. Click '**Save**' and then '**Close**'

Configure pension deduction elements:

1. Go to the **Company** menu and select '**Details**'
2. Select '**Additions/Deductions**' tab
3. In the **Pen** column, tick all the pay elements you want the pension deduction to be calculated on

Tick '**QE**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment
4. Click '**Save**' and then '**Close**'



Software available from IRIS

IRIS Payroll Basics

Free, RTI compliant payroll software for companies with fewer than 10 employees

IRIS Payroll Business

Intelligent, easy to use payroll software for smaller businesses

IRIS Payroll Professional

Flexible payroll software for medium sized businesses

IRIS Bureau Payroll

Intelligent management for multiple payrolls

KashFlow Payroll

Cloud-based UK payroll software – accessible from anywhere on PC, Mac or tablet

IRIS P11D

The easy way to complete employee expenses and benefits returns

IRIS HR Manager

The easy way to keep employee data up-to-date

IRIS OpenPayslips

A secure web based solution that allows your employees to access, and download their e-payslips via an online portal

Stationery order line

Tel: 0844 815 5656

HMRC online service helpdesk

Tel: 0300 200 3600

Fax: 0844 366 7828

Email: helpdesk@ir-efile.gov.uk

HMRC employer helpline

Tel: 0300 200 3200

HMRC employer helpline (for new business)

Tel: 0300 200 3211

Support

Tel: 0844 815 5661 (Option 1)

Fax: 0844 815 5665

Email: payroll@iris.co.uk