

IRIS PAYE-Master

Guide to creating Scottish Widows pension deductions

23/06/2015



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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

Scottish Widows permit employers to calculate the pension deduction based on a percentage of Qualifying Earnings or Total Earnings; for more information click [here](#).

The tax basis of the pension deduction can be via Salary Exchange (also known as Salary Sacrifice), or Net (also known as Relief at Source).

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

- [Salary Exchange - based on Qualifying Earnings](#)
- [Net - based on Qualifying Earnings](#)
- [Salary Exchange - based on Pensionable Earnings or Total Earnings](#)
- [Net - based on Pensionable Earnings or Total Earnings](#)

Salary Exchange - based on Qualifying Earnings

A Salary Exchange (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. Scottish Widows expect employer contributions to meet or exceed the statutory minimum and employee contributions to be zero.

A Qualifying 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:

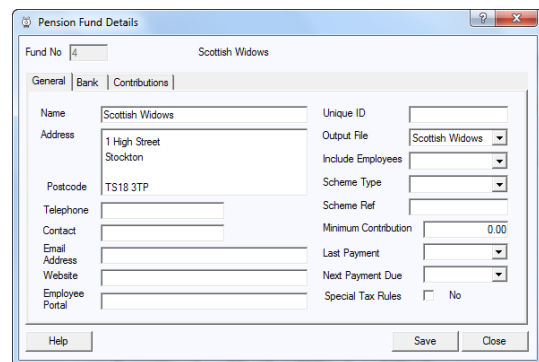
1. Go to the **Pensions** menu and select '**Configure Pensions**'

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

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

In the **Output File** field, select '**Scottish Widows**'

In the **Include Employees** field, select '**All Employees**'



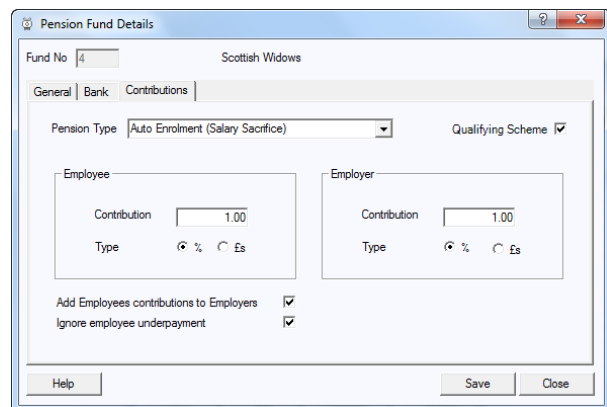
4. Select '**Contributions**' tab

5. In the **Pension Type** field, select '**Auto Enrolment (Salary Sacrifice)**'

6. Tick '**Qualifying Scheme**' box

7. 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 **%**



8. Tick '**Add Employees contributions to Employers**' box

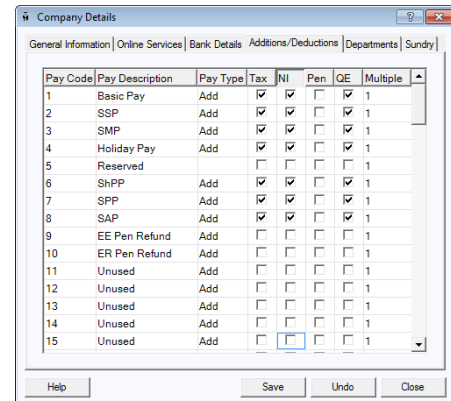
9. Tick '**Ignore employee underpayment**' box

10. 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**'



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 - based on Qualifying Earnings

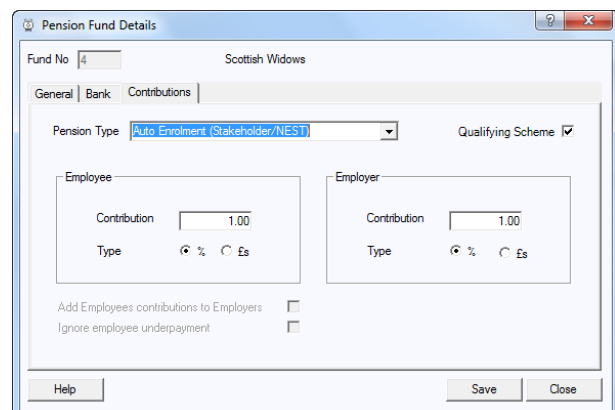
A Net pension is deducted from the employee's pay after Tax and NI is calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2014/15 the rate is 20%. Higher rate tax payers need to claim the remaining tax relief from HMRC. This method of deducting pension contributions HMRC call relief at source (RAS).

In payroll, if say the employee's pension deduction is 1%, you would be enter 1% in the employee's pension contribution value but the actual deduction will be 0.8% from their pay.

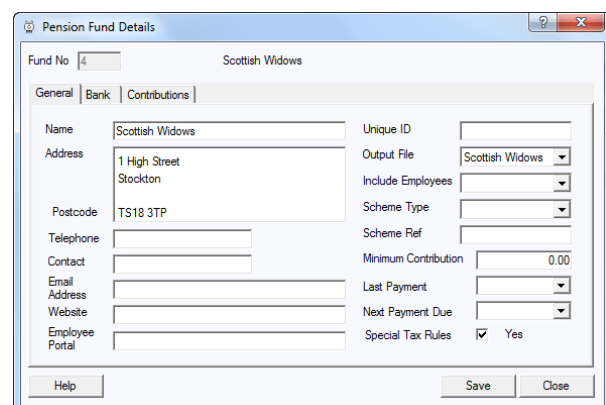
A Qualifying Earnings pension deduction is calculated as a percentage of the employee's Qualifying Earnings between the lower limit and upper limit. For tax year 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

Add employee and employer pension deductions:

1. Go to the **Pensions** menu and select '**Configure Pensions**'
2. Click on '**Add New**'
3. Select '**Contributions**' tab
4. In the **Pension Type** field, select '**Auto Enrolment (Stakeholder/NEST)**'
5. Tick '**Qualifying Scheme**' box
6. 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 %



7. Select the **General** tab, if you haven't configured your Scottish Widows pension fund already, enter all the details you have for Scottish Widows
In the **Output File** field, select '**Scottish Widows**'
In the **Include Employees** field, select '**All Employees**'

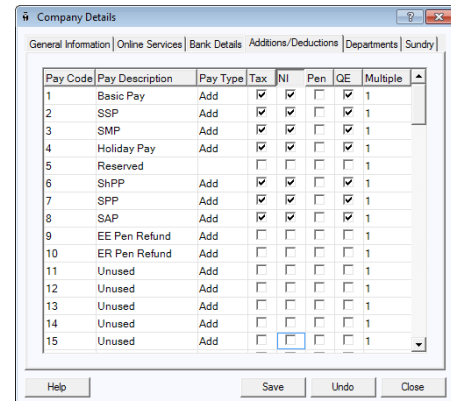


8. Tick '**Special Tax Rules**' box
9. Click '**Save**' and then '**Close**'
10. Tick the **Subtract Basic Rate Tax** box
11. Click '**OK**'

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

Salary Exchange - based on Pensionable Earnings or Total Earnings

A Salary Exchange (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 Scottish Widows scheme by choosing one of the following options:

- **Pensionable Earnings** – must be at least all basic earnings. This can exclude any variable pay elements but must include geographical allowances
- **Total Earnings** – includes all of the employee's earnings

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 Scottish Widows pension fund already, enter all the details you have for Scottish Widows

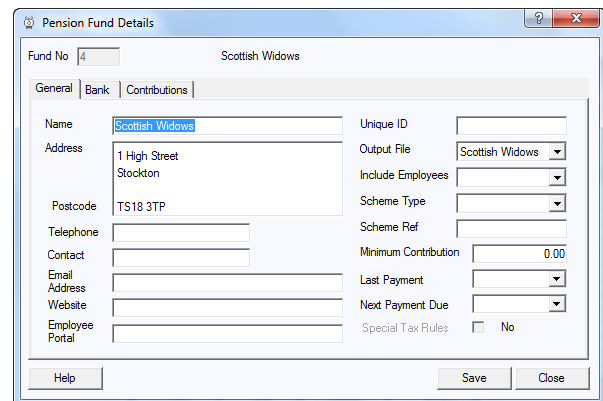
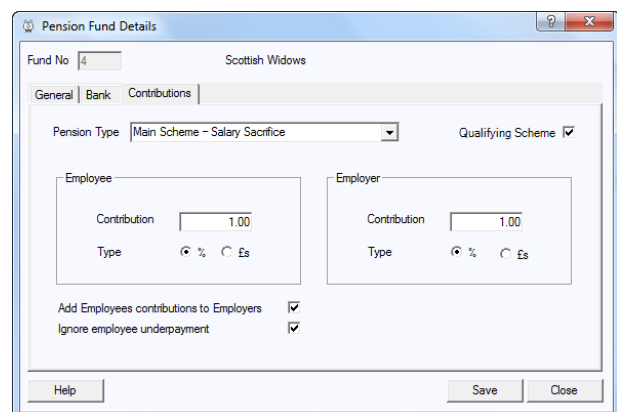
In the **Output File** field, select '**Scottish Widows**'

In the **Include Employees** field, select '**All Employees**'

4. Select '**Contributions**' tab
5. In the **Pension Type** field, select '**Main Scheme – Salary Sacrifice**'
6. Tick '**Qualifying Scheme**' box
7. 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 %

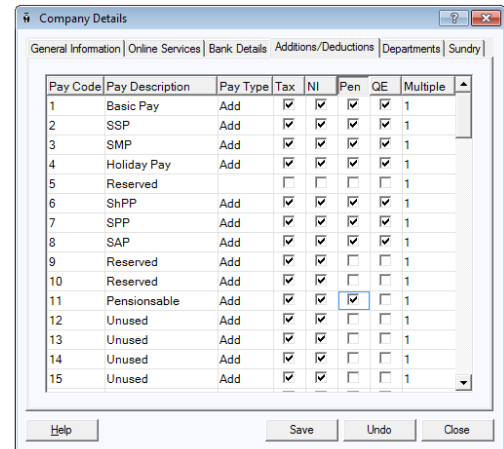
8. Tick '**Add Employees contributions to Employers**' box
9. Tick '**Ignore employee underpayment**' box
10. Click '**Save**' and then '**Close**'

Configure pension deduction pay elements:

1. Go to the **Company** menu and select '**Details**'
2. Select '**Additions/Deductions**' tab
3. 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**'



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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 checked="" 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
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Net - based on Pensionable Earnings or Total Earnings

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- **Pensionable Earnings** – must be at least all basic earnings. This can exclude any variable pay elements but must include geographical allowances
- **Total Earnings** – includes all of the employee's earnings

Add employee and employer pension deductions:

1. Go to the **Pension** menu and select '**Configure Pensions**'
2. Click on '**Add New**'
3. Select '**Contributions**' tab

4. In the **Pension Type** field, select '**Main Scheme – PPP no tax relief**'

5. Tick **Qualifying Scheme** box

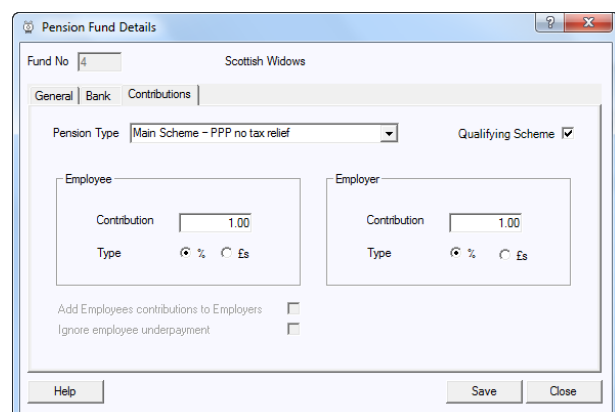
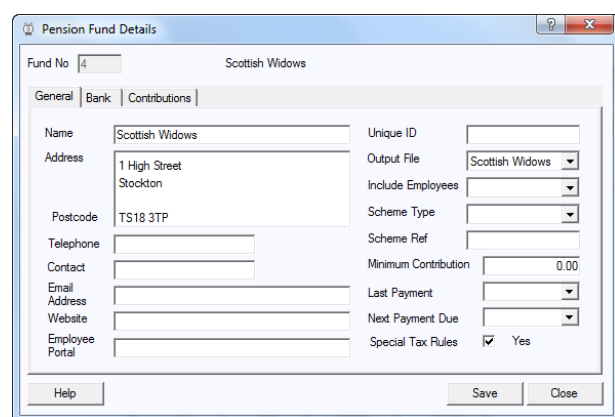
6. In the **Employee** and **Employer** sections, enter the pension contribution amounts to be applied when an employee is automatically enrolled.

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

7. Select the **General** tab, if you haven't configured your Scottish Widows pension fund already, enter all the details you have for Scottish Widows
In the **Output File** field, select '**Scottish Widows**'
In the **Include Employees** field, select '**All Employees**'

8. Tick '**Special Tax Rules**' box

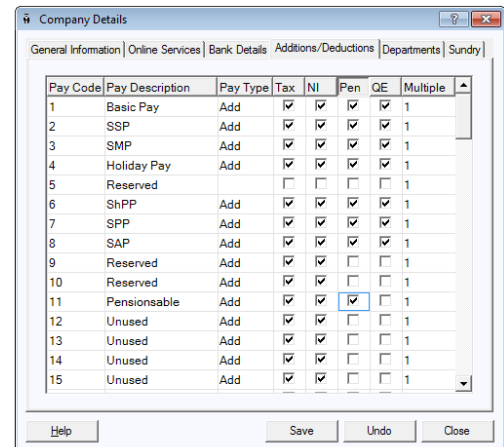
9. Click '**Save**' and then '**Close**'

Configure pension deduction pay elements:

1. Go to the **Company** menu and select '**Details**'
2. Select '**Additions/Deductions**' tab
3. 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**'



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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 checked="" 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

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