IRIS Payroll Professional

Guide to creating Aviva pension deductions

25/08/2015

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Introduction

This guide will give you an overview of how to configure your Aviva pension deductions 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

Aviva permit employers to calculate the pension deduction based on a percentage of Banded Earnings or Pensionable Earnings. The tax basis of the pension deduction can be via Salary Sacrifice (also known as Salary Exchange), or Employee Net Deduction. For more information about Aviva's offering click here. Aviva also have various factsheets about automatic enrolment.

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

■ Salary Sacrifice or Salary Exchange pension - based on Banded Earnings

■ Employee Net Deduction - based on Banded Earnings

■ Salary Sacrifice or Salary Exchange pension - based on Pensionable Earnings

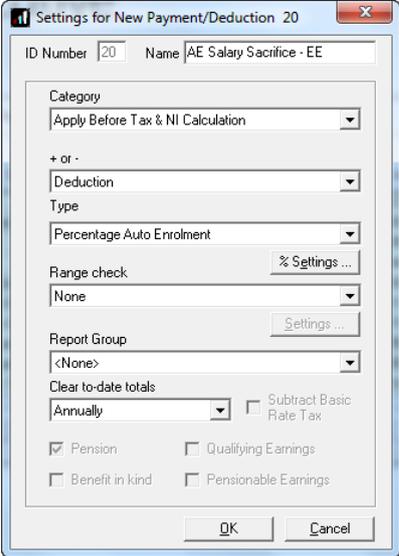■ Employee Net Deduction - based on Pensionable Earnings

Salary Sacrifice or Salary Exchange pension - based on Banded Earnings

A Salary Sacrifice (Salary Exchange) 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 pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'

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

3. On the message asking if you want to use the wizard, click **'No'**

4. Enter a **Name** for the pension deduction

5. In the **Category** field, select **'Apply Before Tax & NI Calculation'**

6. In the **+ or -** field, select **'Deduction'**

7. In the **Type** field, select **'Percentage Auto Enrolment'**

8. **Range check** should be the default of **'None'**

9. **Report Group** should be the default of **'<None>'**

10. When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals
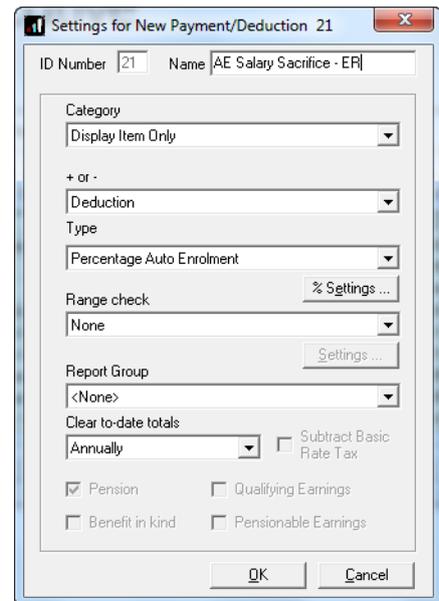
11. Click '**OK**'

Add employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'

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

3. Click **'No'** to the message asking if you want to use the wizard

4. Enter a **Name** for the pension deduction

5. In the **Category** field select **'Display Item Only'**

   This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select **'Display Item Only – Hidden from Payslip'**

6. In the **+ or -** field, select **'Deduction'**

7. In the **Type** field, select **'Percentage Auto Enrolment'**

8. **Range check** should be the default of **'None'**

9. **Report Group** should be the default of **'<None>'**

10. When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals

11. Click '**OK**'

Enter default percentage for the employee and employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'

2. Next to the employee pension deduction, click in the **'Standard'** field and enter the default percentage

3. Next to the employer pension deduction, click in the **'Standard'** field and enter the default percentage

Configure pension deduction pay elements:

1. Go to the **Pension** menu and select **'Configure Earnings'**

2. Tick **'Qualifying Earnings'** 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

3. Click '**OK**'

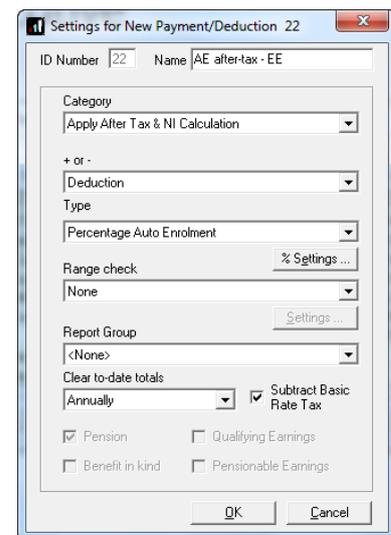# Employee Net Deduction - based on Banded Earnings

An Employee Net Deduction 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 enter 1% in the employee's pension deduction standard value but the actual deduction will be 0.8% 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 pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'

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

3. Click **'No'** to the message asking if you want to use the wizard

4. Enter a **Name** for the pension deduction

5. In the **Category** field select **'Apply After Tax & NI Calculation'**

6. In the **+ or -** field, select **'Deduction'**

7. In the **Type** field, select **'Percentage Auto Enrolment'**

8. **Range check** should be the default of **'None'**

9. **Report Group** should be the default of **'<None>'**

10. When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals

11. Tick **'Subtract Basic Rate Tax'** box

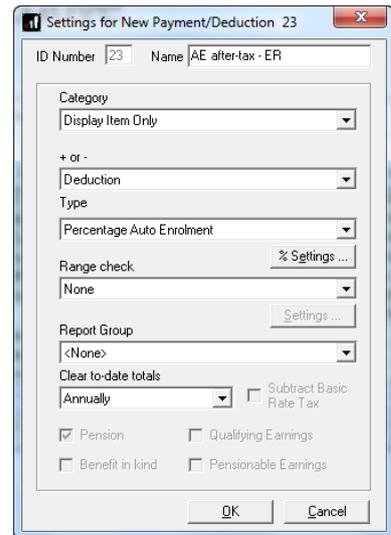12. Click '**OK**'

Add employer pension deduction:

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4. Enter a **Name** for the pension deduction

5. In the **Category** field select **'Display Item Only'**

   This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select **'Display Item Only – Hidden from Payslip'**

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7. In the **Type** field, select **'Percentage Auto Enrolment'**

8. **Range check** should be the default of **'None'**

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10. When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals

11. Click '**OK**'

Enter percentage for the employee and employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'

2. Next to the employee pension deduction, click in the **'Standard'** field and enter the default percentage

3. Next to the employer pension deduction, click in the **'Standard'** field and enter the default percentage

Configure pension deduction pay elements:

1. Go to the **Pension** menu and select **'Configure Earnings'**

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   The employees' pension contribution will also be calculated on these pay elements
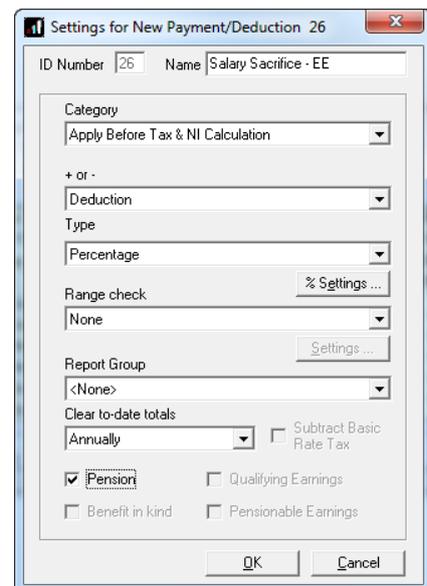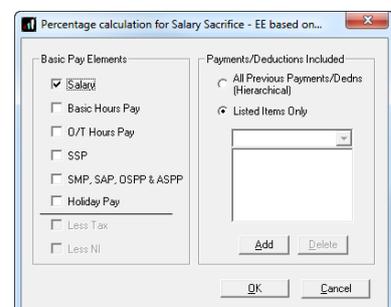
3. Click '**OK**'

Salary Sacrifice or Salary Exchange pension - based on Pensionable Earnings

A Salary Sacrifice (Salary Exchange) 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 Pensionable Earnings pension deduction is calculated as a percentage of earnings you specified when setting up the Aviva scheme. For example, this could be a percentage of Salary only or Salary plus bonus etc.

Add employee pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'

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

3. Click **'No'** to the message asking if you want to use the wizard

4. Enter the **Name** of the pension deduction

5. In the **Category** field select **'Apply Before Tax & NI Calculation'**

6. In the **+ or -** field, select **'Deduction'**

7. In the **Type** field, select **'Percentage'**

8. In the **Range check** field, leave the default as **'None'**

9. In the **Report Group** field, leave the default as **'<None>'**

10. When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals

11. Tick the **'Pension'** box

12. Click **'% Settings'** button and then tick all the pay elements you want the pension deduction to be calculated on

13. Click '**OK**' on the **Percentage calculation** screen

14. Click **'OK'** on the **Settings for New Payment/Deduction** screen to save the new employee pension deduction

Add employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'

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

3. Click **'No'** to the message asking if you want to use the wizard

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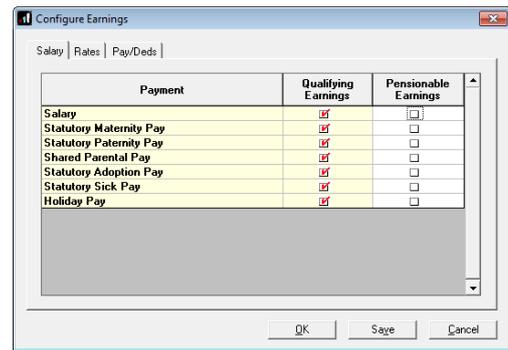

Enter default percentage for the employee and employer pension deduction:

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Configure Qualifying Earnings:

1. Go to the **Pension** menu and select **'Configure Earnings'**

2. Tick **'Qualifying Earnings'** box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment

3. Click '**OK'**

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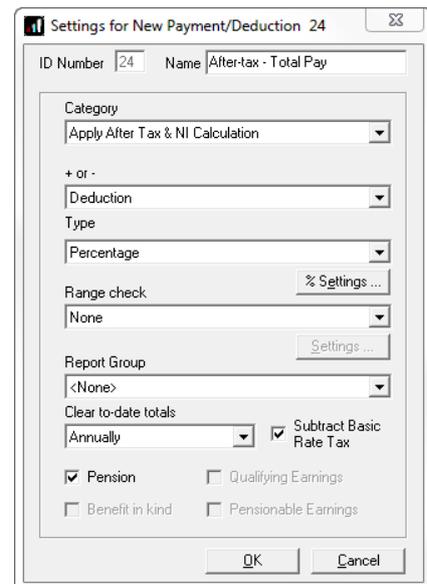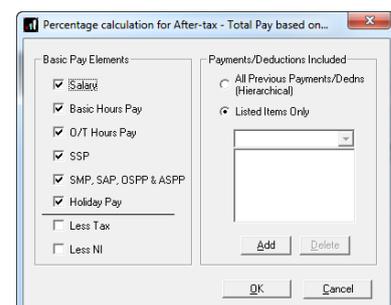# Employee Net Deduction - based on Pensionable Earnings

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8. In the **Range check** field, leave the default as **'None'**

9. In the **Report Group** field, leave the default as '**<None>**'

10. When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals

11. Tick the **'Pension'** box

12. Tick the **'Subtract Basic Rate Tax'** box

13. Click the **'% Settings'** and then tick all the pay elements you want the pension deduction to be calculated on

14. Click '**OK**' on the **Percentage calculation** screen

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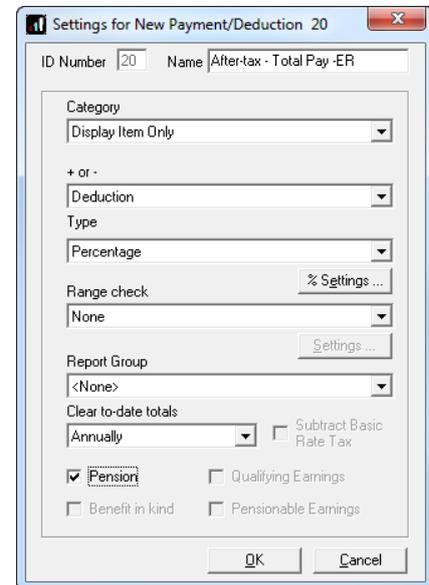
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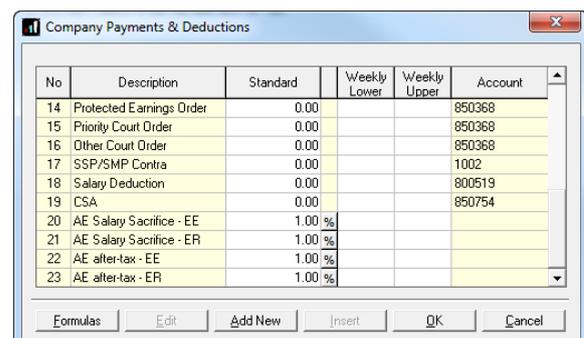3. Click **'No'** to the message asking if you want to use the wizard

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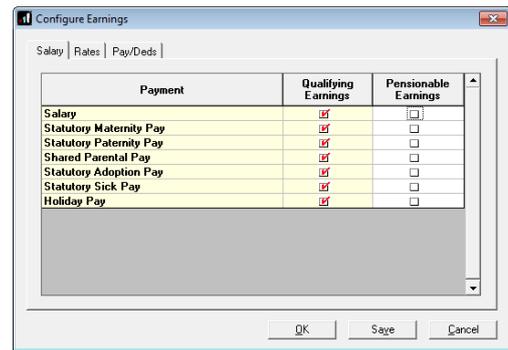
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'

2. Next to the employee pension deduction, click in the **'Standard'** field and enter the default percentage

3. Next to the employer pension deduction, click in the **'Standard'** field and enter the default percentage

Configure Qualifying Earnings:

1. Go to the **Pension** menu and select **'Configure Earnings'**

2. Tick **'Qualifying Earnings'** box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment

3. Click '**OK**'

Additional Software and Services Available

IRIS AE Suite™

The IRIS AE Suite™ works seamlessly with all IRIS payrolls to easily manage auto enrolment. It will assess employees as part of your payroll run, deduct the necessary calculations, produce files in the right format for your pension provider* and generate the necessary employee communications.

IRIS OpenPayslips

Instantly publish electronic payslips to a secure portal which employees can access from their mobile phone, tablet or PC. IRIS OpenPayslips cuts payslip distribution time to zero and is included as standard with the IRIS AE Suite™.

IRIS Auto Enrolment Training Seminars

Choose from a range of IRIS training seminars to ensure you understand both auto enrolment legislation and how to implement it within your IRIS software.

Useful numbers

HMRC online service helpdesk	HMRC employer helpline
Tel: 0300 200 3600 Fax: 0844 366 7828 Email: helpdesk@ir-efile.gov.uk	Tel: 0300 200 3200 Tel: 0300 200 3211 (new business)

Contact Sales (including stationery sales)

For IRIS Payrolls	For Earnie Payrolls
Tel: 0844 815 5700 Email: sales@iris.co.uk	Tel: 0844 815 5677 Email: earniesales@iris.co.uk

Contact support

Your Product	Phone	E-mail
IRIS PAYE-Master	0844 815 5661	payroll@iris.co.uk
IRIS Payroll Business	0844 815 5661	ipsupport@iris.co.uk
IRIS Bureau Payroll	0844 815 5661	ipsupport@iris.co.uk
IRIS Payroll Professional	0844 815 5671	payrollpro@iris.co.uk
IRIS GP Payroll	0844 815 5681	support@gppayroll.co.uk
IRIS GP Accounts	0844 815 5681	gpaccsupport@iris.co.uk
Earnie or Earnie IQ	0844 815 5671	support@earnie.co.uk