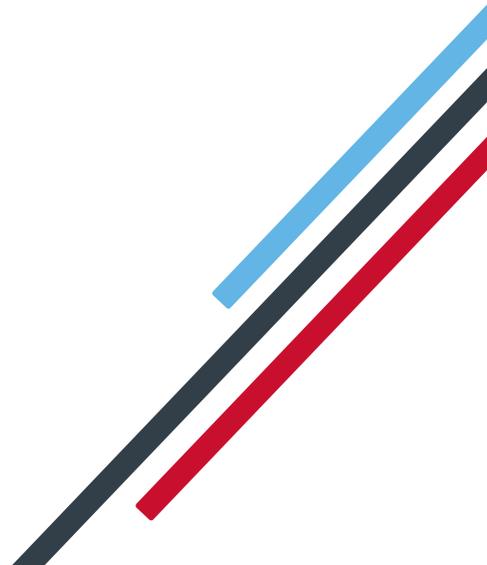


IRIS Payroll Professional

Guide to creating Now: Pension deductions

25/08/2015



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Introduction

This guide will give you an overview of how to configure your Now: 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

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](#).

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 – based on Basic Pay or Total Earnings](#)
- [Net Pay Arrangement – based on Basic Pay or Total Earnings](#)

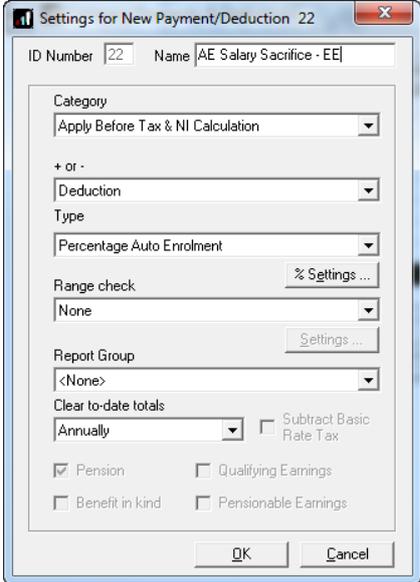
Salary Sacrifice pension - based on Banded Earnings

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 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 Auto Enrolment**'
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 clear along with other year to-date totals
11. Click '**OK**'



The screenshot shows a dialog box titled "Settings for New Payment/Deduction 22". It contains the following fields and options:

- ID Number: 22
- Name: AE Salary Sacrifice - EE
- Category: Apply Before Tax & NI Calculation
- + or -: Deduction
- Type: Percentage Auto Enrolment
- Range check: None (with a "% Settings ..." button)
- Report Group: <None> (with a "Settings ..." button)
- Clear to-date totals: Annually (with a "Subtract Basic Rate Tax" checkbox)
- Checkboxes: Pension, Qualifying Earnings, Benefit in kind, Pensionable Earnings
- Buttons: OK, Cancel

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 the **Name** of 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. 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 clear 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

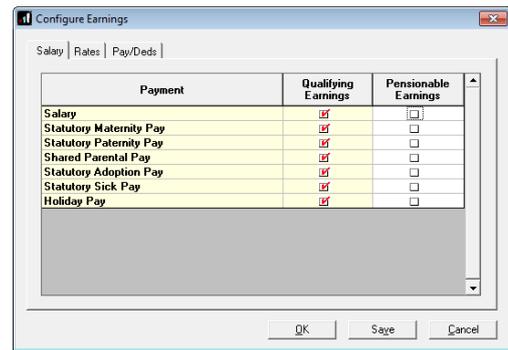
No	Description	Standard	Weekly Lower	Weekly Upper	Account
22	AE Net - EE	1.00 %			
23	AE Net - ER	1.00 %			
24	AE Gross - EE	1.00 %			
25	AE Gross - ER	1.00 %			
26	Salary Sacrifice - EE	1.00 %			
27	Salary Sacrifice - ER	1.00 %			
28	Net - EE	1.00 %			
29	Net - ER	1.00 %			
30	Gross - EE	1.00 %			
31	Gross - ER	1.00 %			

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**'



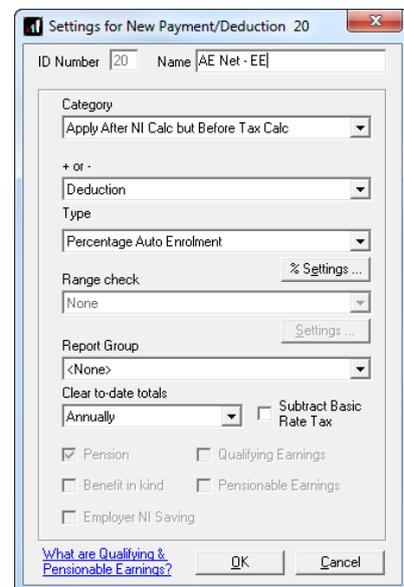
Net Pay Arrangement/Gross - based on Banded Earnings

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 pension deduction:

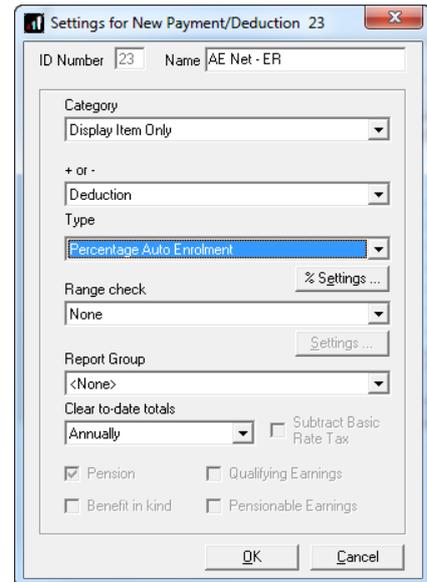
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Apply After NI Calc but Before Tax Calc**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage Auto Enrolment**'
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 clear along with other year to-date totals
11. Leave the '**Subtract Basic Rate Tax**' box un-ticked
12. Click '**OK**'



Add employer pension deduction:

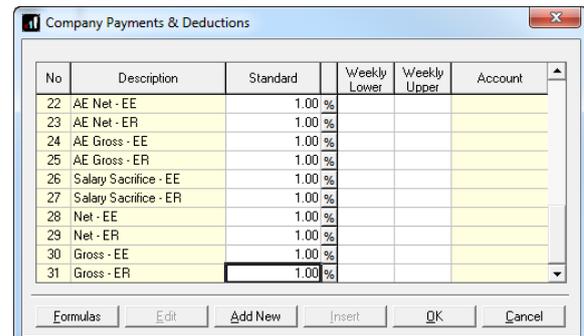
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard

4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Display Item Only**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage Auto Enrolment**'
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 clear 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

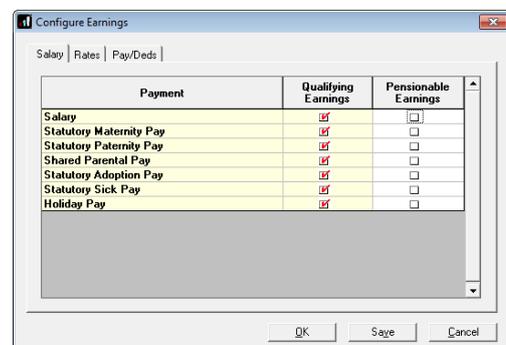


Configure pension deduction pay elements:

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**'



Salary Sacrifice pension - based on Basic Pay or Total Earnings

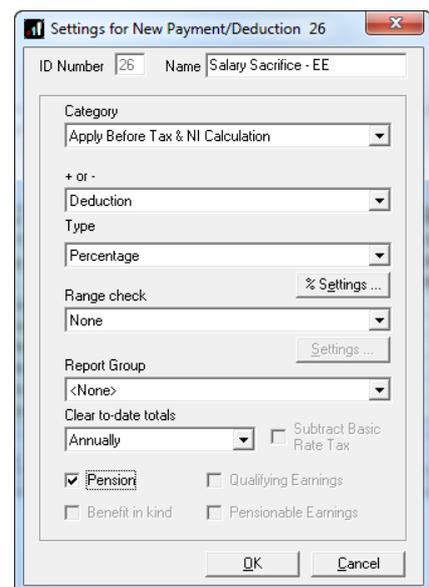
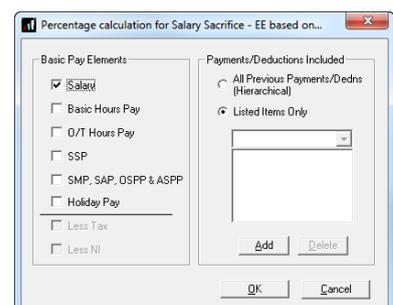
A Salary Sacrifice pension deduction is deducted from the employee's pay before Tax and NI is calculated, which means the employee is due to pay less Tax and NI.

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.

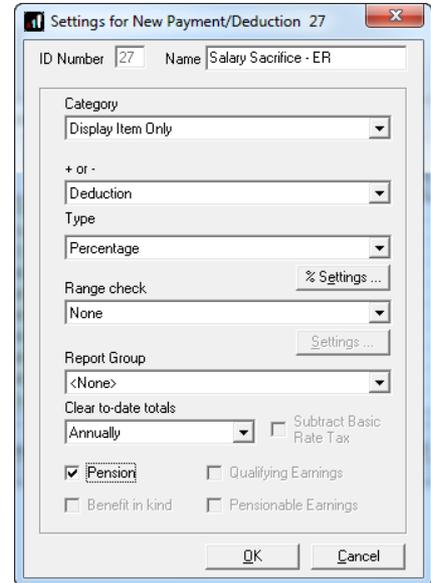
Add employee pension deduction:

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 clear along with other year to-date totals
11. Tick the '**Pension**' box
12. Click the '**% Settings**' 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:

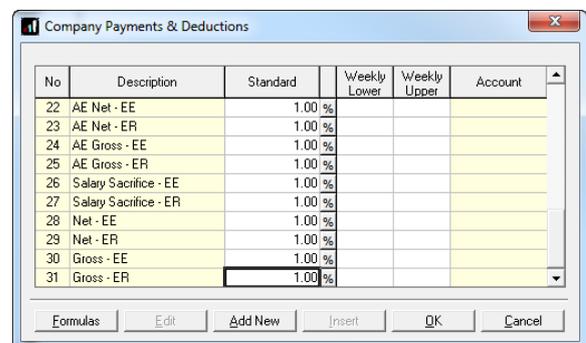
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Display Item Only**'
6. In the **+ or -** field, 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 clear along with other year to-date totals
11. Tick the '**Pension**' box
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Enter default percentage for the employee and employer pension deduction:

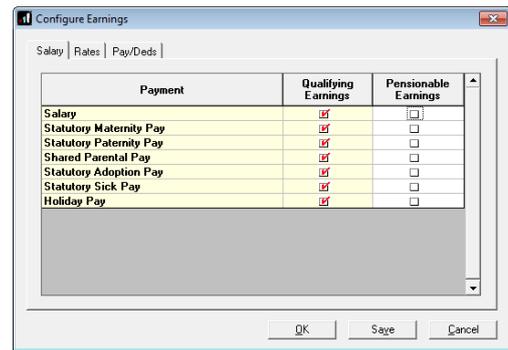
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
3. Next to the employer pension deduction, click in the '**Standard**' field and enter the default percentage



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26	Salary Sacrifice - EE	1.00 %			
27	Salary Sacrifice - ER	1.00 %			
28	Net - EE	1.00 %			
29	Net - ER	1.00 %			
30	Gross - EE	1.00 %			
31	Gross - ER	1.00 %			

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**'



Net Pay Arrangement/Gross - based on Basic Pay or Total Earnings

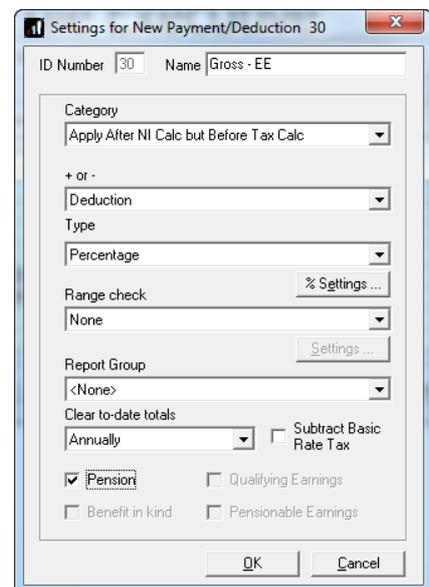
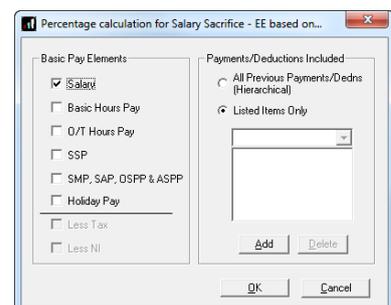
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- **Total Earnings** – the total pay due for the pay period before deductions. This includes any additional pay elements, such as overtime or bonuses.

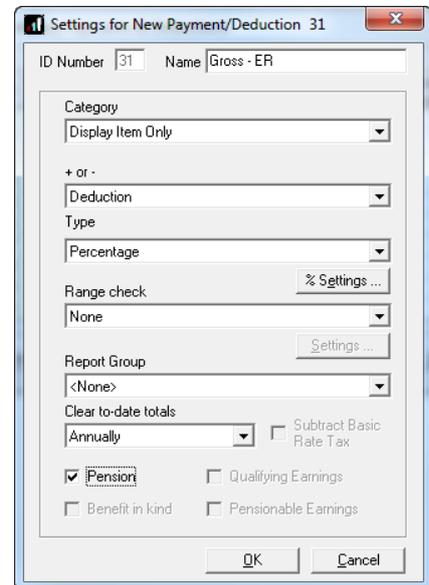
Add employee pension deduction:

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 After NI Calc but Before Tax Calc**'
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 clear along with other year to-date totals
11. Tick the '**Pension**' box
12. Leave the '**Subtract Basic Rate Tax**' box un-ticked
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
15. Click '**OK**' on the **Settings for New Payment/Deduction** screen to save the new employee pension deduction

Add employer pension deduction:

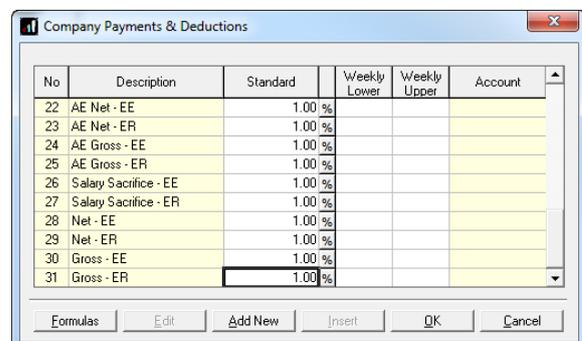
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Display Item Only**'
6. In the **+ or -** field, 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 clear along with other year to-date totals
11. Tick the '**Pension**' box
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13. Click '**OK**' on the **Percentage calculation** screen
14. Click '**OK**' on the **Settings for New Payment/Deduction** screen to save the new employer pension deduction

Enter default percentage for the employee and employer pension deduction:

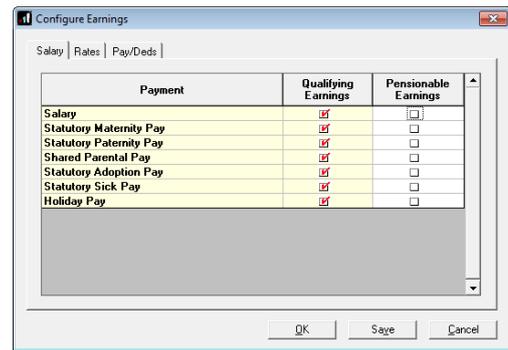
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
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28	Net - EE	1.00 %			
29	Net - ER	1.00 %			
30	Gross - EE	1.00 %			
31	Gross - ER	1.00 %			

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	Tel: 0300 200 3200
Fax: 0844 366 7828	Tel: 0300 200 3211 (new business)
Email: helpdesk@ir-efile.gov.uk	

Contact Sales (including stationery sales)

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