

Benefits in Kind – Notional Payments

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March 2016



IRIS

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Benefits in Kind – Notional Payments

What is a Notional Payment?

A Notional Payment allows you to calculate and deduct the amount of tax and NI on a payment, without actually giving the payment to the employee. The employee won't receive any more money, they will only pay the extra tax and/or NI. This is useful for deducting amounts due on Benefits in Kind.

Please note that you need to calculate the amount that needs to be taxed for company cars outside of the payroll, e.g. manually or using HMRC's tools.

Types of Notional Payment

You can set up a Notional Payment to calculate just Tax or just National Insurance or both.

Notional after Tax but Before NI

Using this setting, an employee's NI-able gross pay can be increased without giving an actual addition to pay.

It can be used, for example, for the calculation and deduction of NI on:

- private petrol allowances
- private telephones where the employer pays the bill

After calculating NI on the increased gross pay an after-tax deduction is automatically made for the same amount. In this way an employee can pay extra NI without receiving extra pay.

The NI-able Gross Pay To-date is also increased.

Notional After NI but before Tax

Using this setting, an employee's Taxable gross pay can be increased without giving an actual addition to pay.

It can be used, for example, for the calculation and deduction of Tax on:

Private Medical Insurance provided by the employer

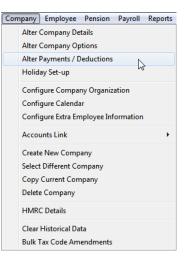
The Taxable Gross Pay To-date is also increased.



How to set up a Notional Payment in the software

Using the Wizard

1. From the **Company** menu, select **Alter Payments/Deductions**:



2. Click the **Add New** button:

No	Description	Default		Period Lower	Period Upper	ID No	<u> </u>
1	NEST Pension	1.0000	%			1	<u>E</u> dit
2	NEST Pension ERs	2.0000	%			2	
3	DEA	0.0000				3	Add Nev
							<u>I</u> nsert
_							<u>R</u> e-Orde

 Click Yes when asked if you would like to use the Wizard:



4. Enter a name, select **Payment** and then click **Next**:

Payment/Deduction Wizard	
	Enter a name for the payment/deduction Enter Default Value 0.0000 Is it a? Payment Deduction
Help	< Back Next > Cancel

5. Select A Benefit in Kind and click Next:

Payment/Deduction Wizard						
	Is the payment?					
	A Normal Payment					
	C A Net to Gross					
	C A Net to Gross Single Payment					
	C For Display Only					
	🔿 A Benefit in Kind					
	Qualifying Earnings Pensionable Earnings					
	What are Qualifying & Pensionable Earnings?					
Help	< <u>B</u> ack Next > Cancel					

 On this screen select how you want the deduction to be calculated regarding Tax and NI. Then click **Next**:

	he payment to be made?
	After Tax has been calculated
//.	
Help	< Back Next > Cancel



 Select how the payment is to be calculated, it is usually a Value for a Benefit, then click Next:

Payment/Deduction Wizard	
	How is the payment/deduction to be calculated?
Help	< Back Next > Cancel

 It is unlikely you would need range checks on a benefit payment, so click No and then click Next:

Payment/Deduction Wizard	
	Do you want range checks on this payment/deduction?
Help	< <u>B</u> ack Next > Cancel

9. Select here how often you would like the running total of this payment to be set to zero, then click **Next**:

Payment/Deduction Wizard	
	How often is the payment/deduction running total to be cleared? To operate using an outstanding balance you must select the option 'When Total is Zero'. If the outstanding balance is not required select any other option.
Help	< <u>Back</u> Next > Cancel

10. Select here whether you would like this amount to be part of a report group, then click **Next**:

Payment/Deduction Wizard	
	Should this payment/deduction be part of a report group?
Help	< Back Next > Cancel

11. That's it. Click **Finish**:

Payment/Deduction Wizard	
	The Payment/Deduction has now been configured. You may change the configuration later if necessary. Skip this screen in the future
Help	< Back Finish Cancel

12. You will now see your new Payment set up in the list of Company Payments & Deductions:

Con	npany Payments & Dedu	ctions					_
No	Description	Default		Period Lower	Period Upper	ID No	<u> </u>
1	NEST Pension	1.0000	%			1	<u>E</u> dit
2	NEST Pension ERs	2.0000	%			2	
3	DEA	0.0000				3	Add New
4	Benefit	0.0000				4	<u>I</u> nsert
							<u>R</u> e-Order Close

AT

Company Employee Pension Payroll Reports

Alter Company Details Alter Company Options

Holiday Set-up

Accounts Link Create New Company Select Different Company Copy Current Company Delete Company HMRC Details Clear Historical Data Bulk Tax Code Amendments

Alter Payments / Deductions

Configure Company Organization Configure Calendar

Configure Extra Employee Information

Setting the Payment up manually

1. From the **Company** menu, select **Alter Payments/Deductions**:

2. Click the **Add New** button:

3. Click **No** when asked if you would like to use the Wizard and the following screen will appear:

You need to enter a **Name** for the payment, then click on each drop-down and select the options as shown.

The **Category** drop-down contain the two types of Notional Payment, so you are able to select between:

- Notional After Tax but Before NI
- Notional After NI but before Tax

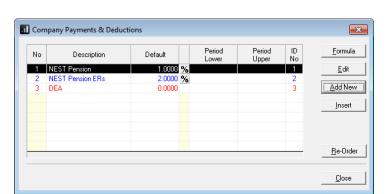
Remember to tick the **Benefits in kind** box. This ensures the payment is flagged as such on the FPS.

Click **OK** when you are finished.

The final step is to allocate the Payment to an employee, so the

amount will go through the payroll. You can either set it up as a standard payment to go through the payroll every pay period, or enter it once in the payroll run during the pay period it applies to.

Setting for Ne	w Payment / De	duction	×
ID No. New	Name Benefi	:	
Payment or Dec	duction		
Payment			-
Category			
Notional - After	r Tax but Before N	I	•
Туре			
Value			-
		97.1	Settings
D		10	ogungs
Range Check			
Intone			
		<u></u>	ettings
Report Group			
None			_
Clear To-date T	otals		
Annually	-	Less Basic	Hate Lax
Default			
ļ	0.0000		<u>B</u> ank
Pension		(ualifying Earn	ings
🔽 Benefits in I	kind 🗖 F	ensionable E	arnings
Employer N	l Saving		
What are Qualify Pensionable Ear		<u>o</u> k	Cancel





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 contributions, 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)
1	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	gpsupport@iris.co.uk
IRIS GP Accounts	0844 815 5681	gpaccsupport@iris.co.uk
Earnie or Earnie IQ	0844 815 5671	earniesupport@iris.co.uk



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