Benefits in Kind – Notional Payments

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Contents

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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.

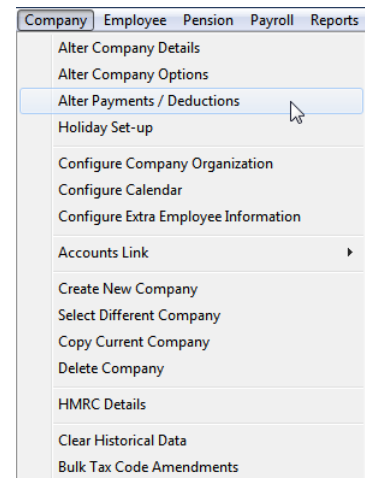It can be used, for example, for the calculation and deduction of Tax on:

- Private Medical Insurance provided by the employer

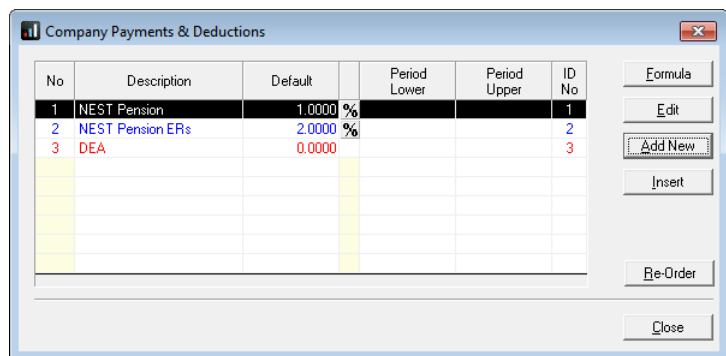The Taxable Gross Pay To-date is also increased.

How to set up a Notional Payment in the software
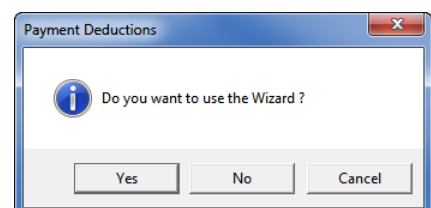
Using the Wizard

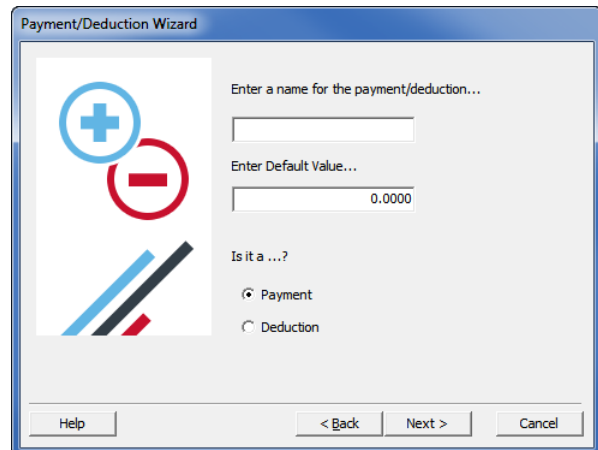1. From the **Company** menu, select **Alter Payments/Deductions**:
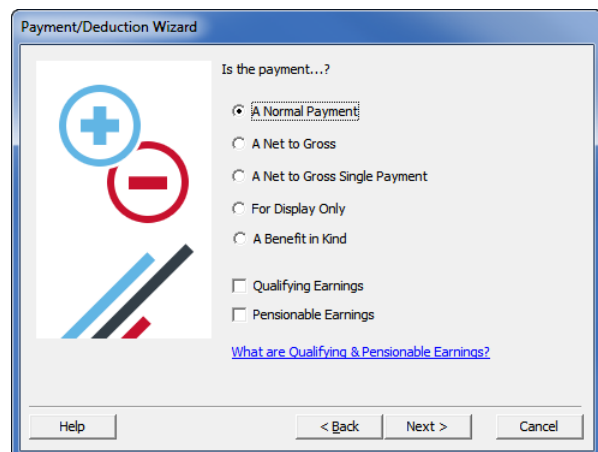
2. Click the **Add New** button:

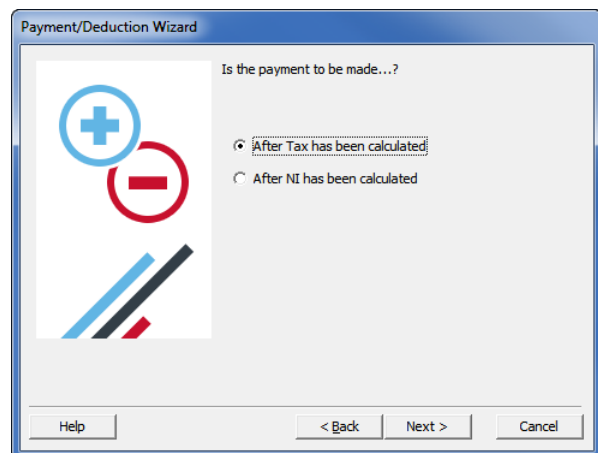3. Click **Yes** when asked if you would like to use the Wizard:

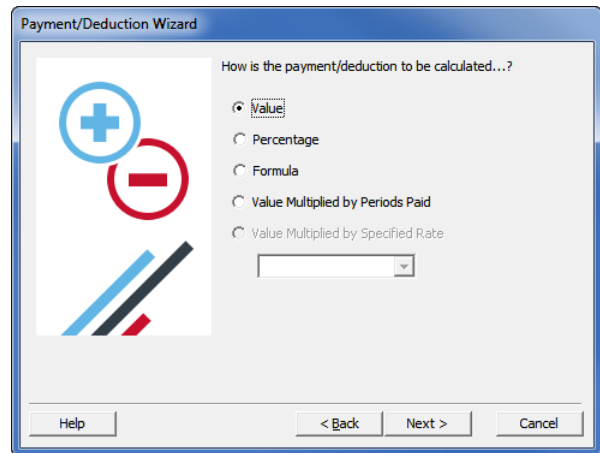4. Enter a name, select **Payment** and then click **Next**:

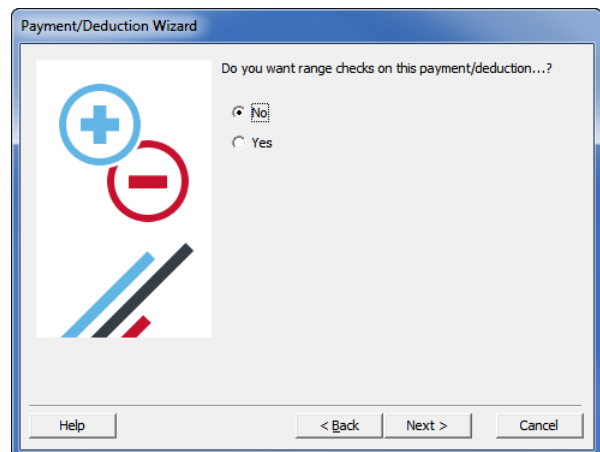5. Select **A Benefit in Kind** and click **Next**:

6. On this screen select how you want the deduction to be calculated regarding Tax and NI. Then click **Next**:
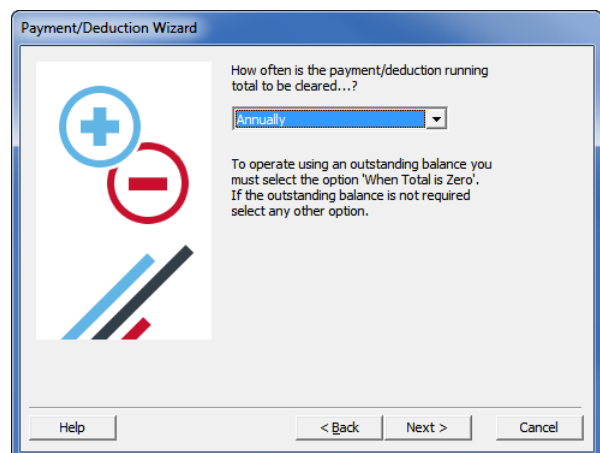
7. Select how the payment is to be calculated, it is usually a **Value** for a Benefit, then click **Next**:
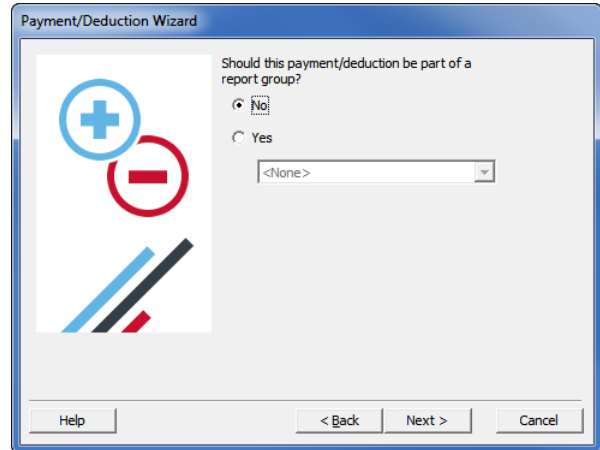
8. It is unlikely you would need range checks on a benefit payment, so click **No** and then click **Next**:

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

10. Select here whether you would like this amount to be part of a report group, then click **Next**:
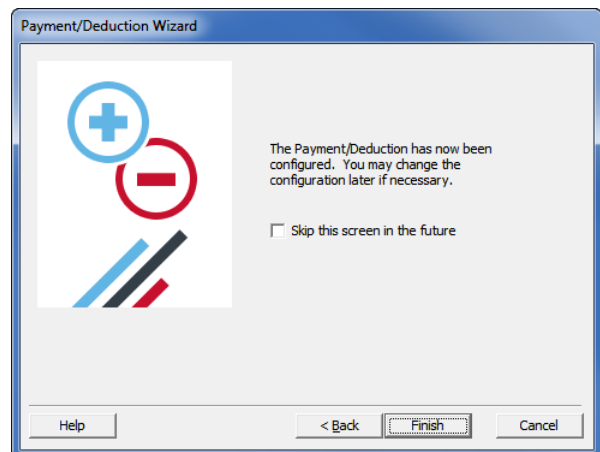
11. That's it. Click **Finish**:
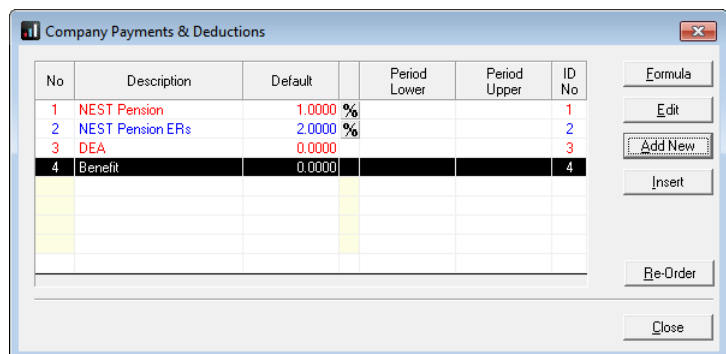
12. You will now see your new Payment set up in the list of **Company Payments & Deductions:**

www.iris.co.uk/customer

Setting the Payment up manually

1. From the **Company** menu, select **Alter Payments/Deductions**:
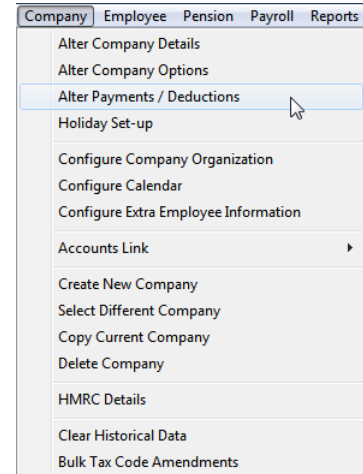
2. Click the **Add New** button:

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

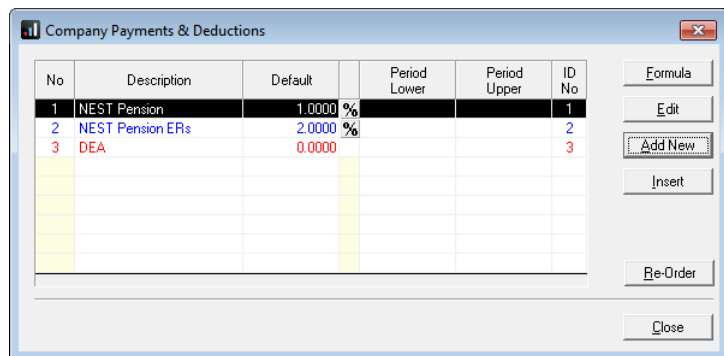   You need to enter a **Name** for the payment, then click on each drop-down and select the options as shown.

    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.
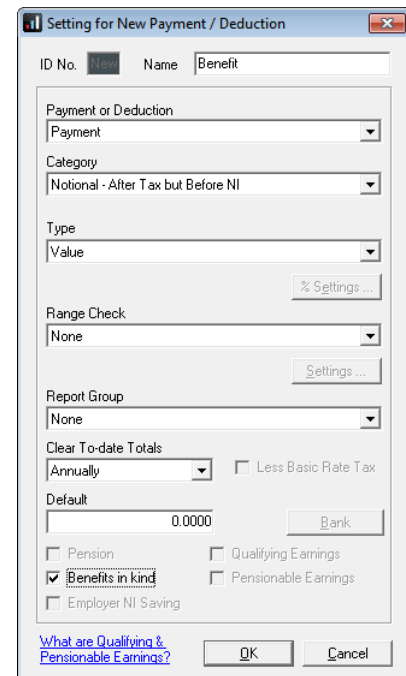
The final step is to allocate the Payment to an employee, so the amount will go through the payroll. You can either set it up as a standard payment to go through the payroll every pay period, or enter it once in the payroll run during the pay period it applies to.

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)
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