

IRIS Payroll

Scottish Widows – Pension
Deduction Creation

April 2020

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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.

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 set-up 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**

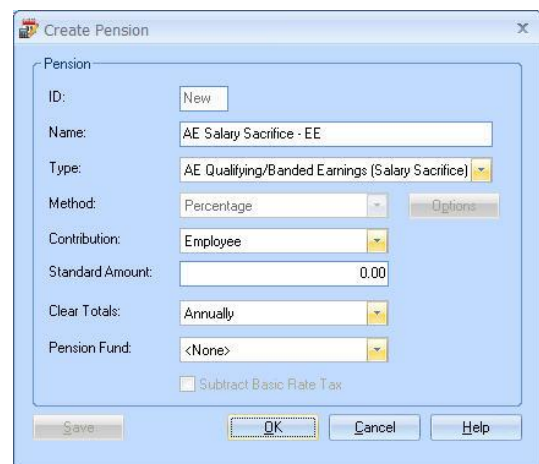
Salary Exchange - based on Qualifying Earnings

A Salary Exchange (Salary Sacrifice) pension deduction is subtracted from the employee's pay before Tax and NI are 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.

Add employee pension deduction

1. From the **Pension** menu, select **Configure Pensions**
2. Click on **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **AE Qualifying /Branded Earnings (Salary Sacrifice)**
Method is set automatically and disabled
5. In the **Contribution** field, select **Employee**
6. Enter a **Standard Amount** to set an employee's deduction amount when the employee is automatically enrolled
7. When the **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
8. **Pension Fund** should be the default of **<None>**
Please Note: The **Subtract Basic Rate Tax** will be disabled for this Pension Type
9. Click **OK**



Add employer pension deduction

1. From the **Pension** menu, select **Configure Pensions**

2. Click on **Add New**

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

4. In the **Type** field, select **AE Qualifying /Banded Earnings (Salary Sacrifice)**

Method is set automatically and disabled

5. In the **Contribution** field, select **Employer**

6. Enter a **Standard Amount** to set an employer's deduction amount when the employee is automatically enrolled

7. When the **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

8. **Pension Fund** should be the default of **<None>**

Please Note: The **Subtract Basic Rate Tax** will be disabled for this Pension Type

9. Click **OK**

Configure pension deduction pay elements

1. From the **Company** menu, click **Payments & Deductions**

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

ID	Name	Type	Taxable	Ntable	Notional	Pensionable Earnings	Qualifying Earnings	Benefit in Kind	Method
1	Bonus	Payment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Value
2	Expenses	Payment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Value
3	Net to Gross	Net To Gross	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Value
4	Salary Advance	Deduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value
5	Private Mileage	Payment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value
6	Private Medical	Deduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value
7	SSP/SMP Contra	SSP Contra	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value
8	Salary Correction	Payment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Value
9	Savings	Deduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value
15	Season Ticket Loan	Loan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value

The employees' pension contributions will also be calculated on these pay elements

3. Click **OK**

Net - based on Qualifying Earnings

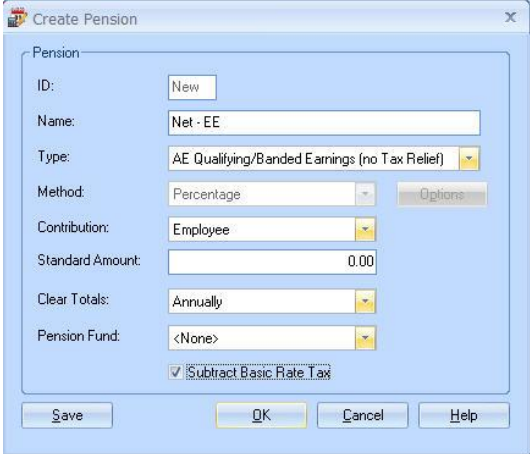
A Net pension is deducted from the employee's pay after Tax and NI are calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2020/2021, the rate is 20%. Higher rate taxpayers need to claim the remaining tax relief from HMRC. This method of deducting pension contributions HMRC call relief at source (RAS).

For example, in payroll, if 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 Qualifying Earnings pension deduction is calculated as a percentage of the employee's Qualifying Earnings between the lower limit and upper limit.

Add employee pension deduction

1. From the **Pension** menu, select **Configure Pensions**
2. Click on **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **AE Qualifying /Banded Earnings (no Tax Relief)**
Method is set automatically and disabled
5. In the **Contribution** field, select **Employee**
6. Enter a **Standard Amount** to set an employee's deduction amount when the employee is automatically enrolled
7. When the **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
8. **Pension Fund** should be the default of **<None>**
9. Tick the **Subtract Basic Rate Tax** box
10. Click **OK**



Add employer pension deduction

1. From the **Pension** menu, select **Configure Pensions**
2. Click on **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **AE Qualifying /Banded Earnings (no Tax Relief)**
Method is set automatically and disabled

5. In the **Contribution** field, select **Employer**
6. Enter a **Standard Amount** to set an employer's deduction amount when the employee is automatically enrolled
7. When the **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

8. **Pension Fund** should be the default of **<None>**

Please Note: The **Subtract Basic Rate Tax** will be disabled for this Pension Type

9. Click **OK**

Configure pension deduction pay elements

1. From the **Company** menu, click **Payments & Deductions**
2. Tick the **Qualifying Earnings** box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment

ID	Name	Type	Taxable	Nilable	Notional	Pensionable Earnings	Qualifying Earnings	Benefit in Kind	Method
1	Bonus	Payment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Value
2	Expenses	Payment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value
3	Net to Gross	Net To Gross	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Value
4	Salary Advance	Deduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value
5	Private Mileage	Payment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value
6	Private Medical	Deduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value
7	SSP/SMP Contra	SSP Contra	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value
8	Salary Correction	Payment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Value
9	Savings	Deduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value
15	Season Ticket Loan	Loan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value

The employees' pension contributions will also be calculated on these pay elements

3. Click **OK**

Salary Exchange - based on Pensionable Earnings or Total Earnings

A Salary Exchange (Salary Sacrifice) pension deduction is subtracted from the employee's pay before Tax and NI are 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 pension deduction

1. From the **Pension** menu, select **Configure Pensions**
2. Click on **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **Salary Sacrifice**
5. In **Method** field, select **Percentage**
6. In the **Contribution** field, select **Employee**
7. Enter a **Standard Amount** to set an employee's deduction amount when the employee is automatically enrolled
8. 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
9. **Pension Fund** should be the default of **<None>**

Create Pension

Pension

ID: New

Name: Salary Sacrifice - EE

Type: Salary Sacrifice

Method: Percentage

Contribution: Employee

Standard Amount: 0.00

Clear Totals: Annually

Pension Fund: <None>

Subtract Basic Rate Tax

Options

Save OK Cancel Help

- Please Note:** The **Subtract Basic Rate Tax** will be disabled for this Pension Type
10. Click the **Options** button and tick all the pay elements you want the pension deduction to be calculated on
 11. Click **OK** on the **Percentage Options** screen
 12. Click **OK** to save the new employee pension deduction

Percentage Options

Basic Elements

Name	Selected
Salary	<input checked="" type="checkbox"/>
Basic Hours Pay	<input checked="" type="checkbox"/>
Overtime Hours Pay	<input checked="" type="checkbox"/>
SSP	<input checked="" type="checkbox"/>
SMP, SAP, SPP & ShPP	<input checked="" type="checkbox"/>
Holiday Pay	<input checked="" type="checkbox"/>
Less Tax	<input type="checkbox"/>
Less NI	<input type="checkbox"/>

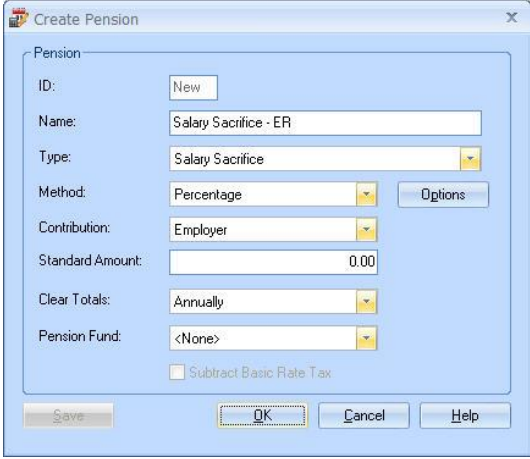
Payment Deduction Elements

Name	Selected
Bonus	<input checked="" type="checkbox"/>
Salary Correction	<input checked="" type="checkbox"/>

Save OK Cancel Help

Add employer pension deduction

1. From the **Pension** menu, select **Configure Pensions**
2. Click on **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **Salary Sacrifice**
5. In the **Method** field, select **Percentage**
6. In the **Contribution** field, select **Employer**
7. Enter a **Standard Amount** to set an employer's deduction amount when the employee is automatically enrolled
8. 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
9. **Pension Fund** should be the default of **<None>**



The screenshot shows a 'Create Pension' dialog box with the following configuration:

- ID: New
- Name: Salary Sacrifice - ER
- Type: Salary Sacrifice
- Method: Percentage
- Contribution: Employer
- Standard Amount: 0.00
- Clear Totals: Annually
- Pension Fund: <None>
- Subtract Basic Rate Tax

Please Note: The **Subtract Basic Rate Tax** will be disabled for this Pension Type

10. Click the **Options** button and tick all the pay elements you want the pension deduction to be calculated on and click **OK**
11. Click **OK** to save the new employer pension deduction

Net - based on Pensionable Earnings or Total Earnings

A Net pension is deducted from the employee's pay after Tax and NI are calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2020/2021, the rate is 20%. Higher rate taxpayers need to claim the remaining tax relief from HMRC. This method of deducting pension contributions HMRC call relief at source (RAS).

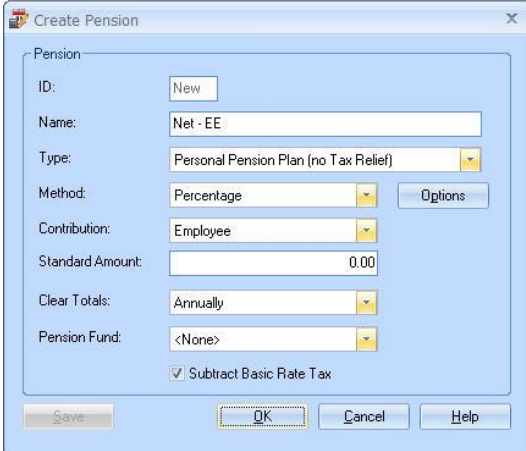
For example, in payroll, if the employee's pension deduction is 1%, you would enter 1% in the employee's pension deduction standard value, but the actual deduction will be 0.8% from their pay.

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 pension deduction

1. From the **Pension** menu, select **Configure Pensions**
2. Click on **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **Personal Pension Plan (no Tax Relief)**
5. In the **Method** field, select **Percentage**
6. In the **Contribution** field, select **Employee**
7. Enter a **Standard Amount** to set an employer's deduction amount when the employee is automatically enrolled
8. 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
9. **Pension Fund** should be the default of **<None>**
10. Tick the **Subtract Basic Rate Tax** box



11. Click the **Options** button and tick all the pay elements you want the pension deduction to be calculated on
12. Click **OK** on the **Percentage Options** screen
13. Click **OK**

Basic Elements		Payment Deduction Elements	
Name	Selected	Name	Selected
Salary	<input checked="" type="checkbox"/>	Bonus	<input checked="" type="checkbox"/>
Basic Hours Pay	<input checked="" type="checkbox"/>	Salary Correction	<input checked="" type="checkbox"/>
Overtime Hours Pay	<input checked="" type="checkbox"/>		
SSP	<input checked="" type="checkbox"/>		
SMP, SAP, SPP & SHPP	<input checked="" type="checkbox"/>		
Holiday Pay	<input checked="" type="checkbox"/>		
Less Tax	<input type="checkbox"/>		
Less NI	<input type="checkbox"/>		

Add employer pension deduction

1. From the **Pension** menu, select **Configure Pensions**
2. Click on **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **Personal Pension Plan (no Tax Relief)**
5. In the **Method** field, select **Percentage**
6. In the **Contribution** field, select **Employer**
7. Enter a **Standard Amount** to set an employer's deduction amount when the employee is automatically enrolled
8. When the **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
9. **Pension Fund** should be the default of **<None>**
10. Click the **Options** button and tick all the pay elements you want the pension deduction to be calculated on and click **OK**
11. Click **OK**

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	For IRIS Payroll Professional
Tel: 0344 815 5656	Tel: 0344 815 5676	Tel: 0345 057 3708
Email: sales@iris.co.uk	Email: earniesales@iris.co.uk	Email: payrollsales@iris.co.uk

Contact Support

Your Product	Phone	E-mail
IRIS PAYE-Master	0344 815 5661	payroll@iris.co.uk
IRIS Payroll Business	0344 815 5661	ipsupport@iris.co.uk
IRIS Bureau Payroll	0344 815 5661	ipsupport@iris.co.uk
IRIS GP Payroll	0344 815 5681	gpsupport@iris.co.uk
IRIS GP Accounts	0344 815 5681	gpaccsupport@iris.co.uk
Earnie or Earnie IQ	0344 815 5671	earniesupport@iris.co.uk
IRIS Payroll Professional (formerly Star)	01273 715300	payroll-support@iris.co.uk

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