

IRIS Payroll

Standard Life – 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

Standard Life permit employers to calculate the pension deduction based on a percentage of Qualifying Earnings, Basic Pay, Pensionable Pay (at least 85% of Total Pay) or Total Pay.

The tax basis of the pension deduction can be via Salary Exchange (also known as Salary Sacrifice or SMART Pension), or Deduction from after-tax earnings.

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

- **Salary Exchange/Salary Exchange/SMART – based Qualifying Earnings**
- **Salary_Exchange/Salary Sacrifice/SMART – based on Basic Pay, Pensionable Pay or Total Pay**
- **Deduction from after-tax earnings – based on Qualifying Earnings**
- **Deduction from after-tax earnings – based on Basic Pay, Pensionable Pay or Total Pay**

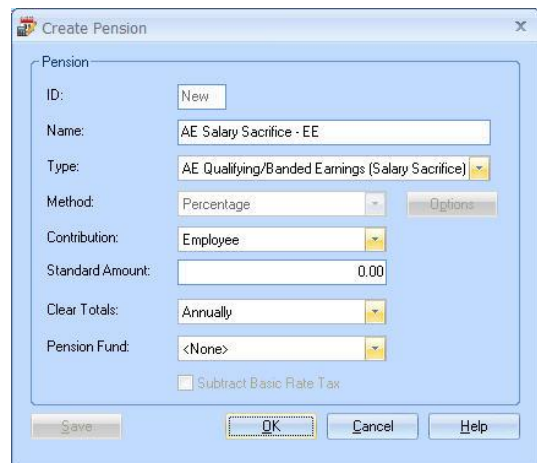
Salary Exchange, Salary Sacrifice or SMART pension - based on Qualifying Earnings

A Salary Exchange (Salary Sacrifice or SMART) 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.

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 (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 **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. Click **OK**



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

- ID: New
- Name: AE Salary Sacrifice - EE
- Type: AE Qualifying/Banded Earnings (Salary Sacrifice)
- Method: Percentage
- Contribution: Employee
- 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

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 **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. Click **OK**

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

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	Notable	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**

Deduction from after-tax earnings - based on Qualifying Earnings

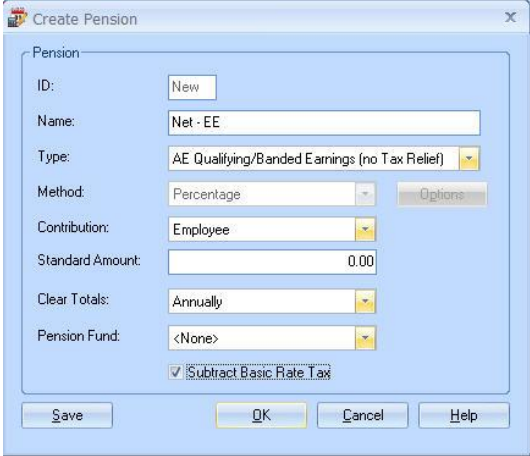
A Deduction from after-tax earnings is subtracted from the employee's pay after Tax and NI are calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2020/2021, the rate is 20%. Higher rate taxpayers need to claim the remaining tax relief from HMRC. This 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 **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 **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 **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. Click **OK**

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

Configure pension deduction pay elements

1. From the **Company** menu, click **Payments & Deductions**
2. Tick **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
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2	Expenses	Payment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value
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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, Salary Sacrifice or SMART pension - based on Basic Pay, Pensionable Pay or Total Pay

A Salary Exchange (Salary Sacrifice or SMART) 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 Standard Life scheme by choosing one of the following options:

- **Basic Pay** – the gross basic wage an employee earns, for example the employee's salary. This doesn't consider any additional pay elements, such as overtime or bonuses
- **Pensionable Pay** – must be at least 85% of the employee's Total Pay
- **Total Pay** – 100% of an employee's gross earnings would be pensionable. This includes any additional pay elements, such as overtime or bonuses

Add employee pension deduction

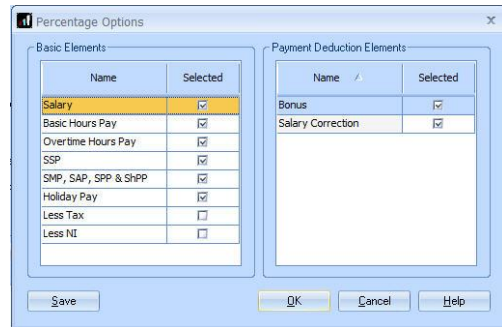
1. From the **Pension**, select **Configure Pensions**
2. Click on **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **Salary Sacrifice**
5. In **Method** field, select **Percentage**
6. In the **Contribution** field, select **Employee**
7. Enter a **Standard Amount** to set an employee's deduction amount when the employee is automatically enrolled
8. When 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>**

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

- 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

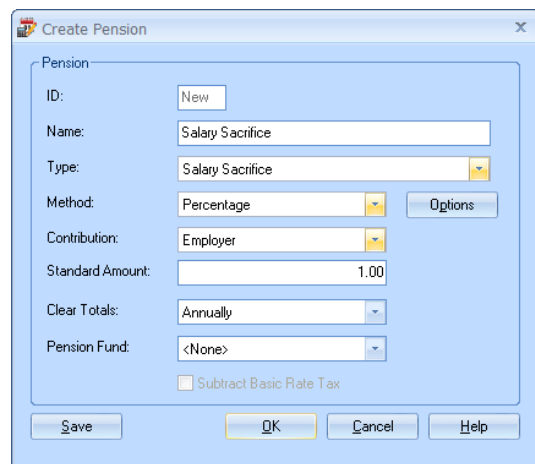
Please Note: The **Subtract Basic Rate Tax** will be disabled for this Pension Type

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



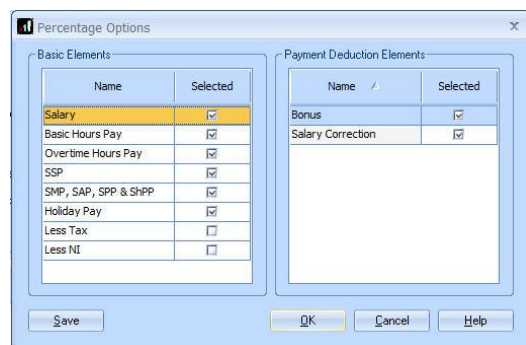
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5. In the **Method** field, select **Percentage**
6. In the **Contribution** field, select **Employer**
7. Enter a **Standard Amount** to set an employer's deduction amount when the employee is automatically enrolled
8. When **Clear Totals** field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



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



Deduction from after-tax earnings - based on Basic Pay, Pensionable Pay or Total Pay

A Deduction from after-tax earnings is subtracted 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).

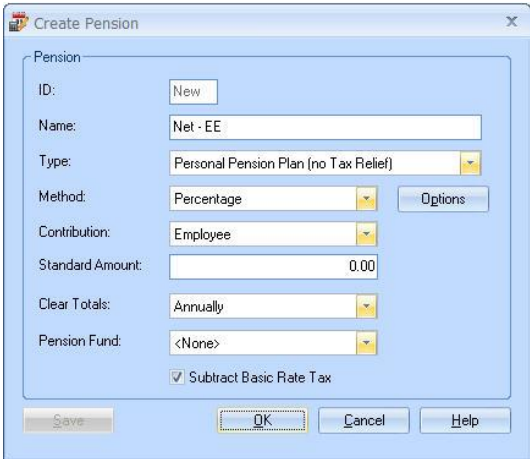
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- **Pensionable Pay** – must be at least 85% of the employee's Total Pay
- **Total Pay** – 100% of an employee's gross earnings would be pensionable. This includes any additional pay elements, such as overtime or bonuses

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



11. Click the **Options** button and then 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>**

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 then 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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