

IRIS Payroll

Guide to creating Standard Life pension deductions

27/08/2015



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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; for more information click [here](#).

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 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 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](#)

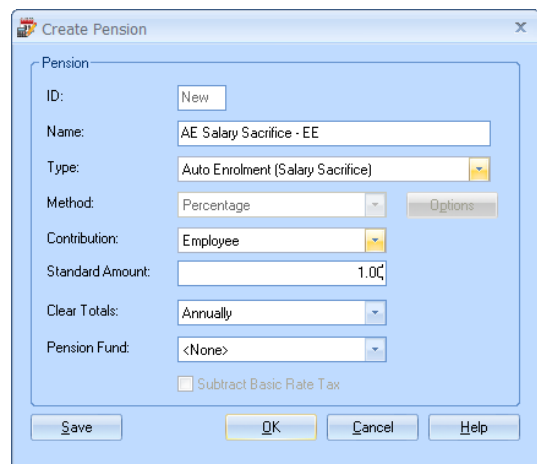
Salary Exchange, Salary Sacrifice or SMART pension - based on Qualifying Earnings

A Salary Exchange (Salary Sacrifice or SMART) pension deduction is 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 Qualifying 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:

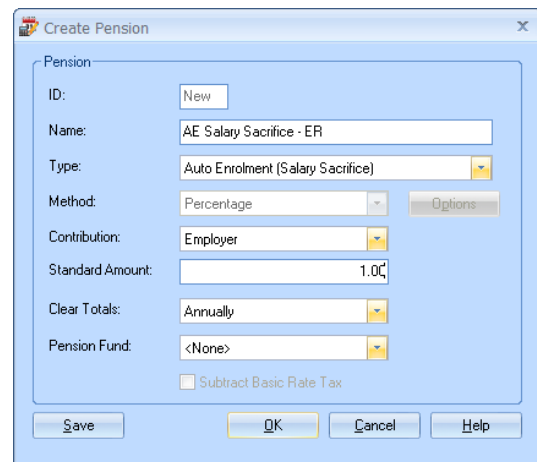
1. Go to the **Pension** menu and select '**Configure Pensions**'
2. Click on '**Add New**'
3. Enter the **Name** of the pension deduction
4. In the '**Type**' field select **Auto Enrolment (Salary Sacrifice)**
5. In the '**Contribution**' field, select 'Employee'
6. Enter a **Standard** amount, to set 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 clear along with other year to-date totals
8. **Pension Fund** should be the default of '<None>'
9. Click '**OK**'



Add employer pension deduction:

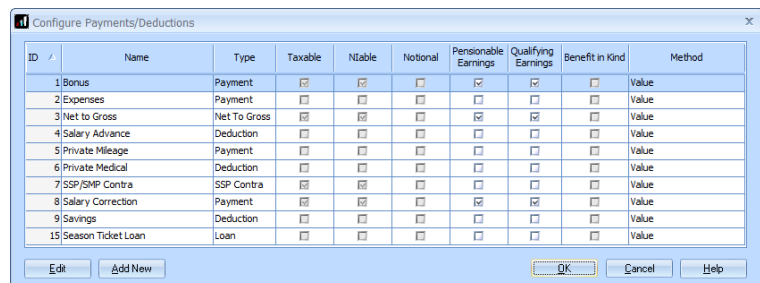
1. Go to the **Pension** menu and select '**Configure Pensions**'
2. Click on '**Add New**'

3. Enter the **Name** of the pension deduction
4. In the '**Type**' field select **Auto Enrolment (Salary Sacrifice)**
5. In the '**Contribution**' field, select 'Employer'
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 clear along with other year to-date totals
8. **Pension Fund** should be the default of '<None>'
9. Click '**OK**'



Configure pension deduction pay elements:

1. Go to the **Company** menu and 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
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 contribution will also be calculated on these pay elements

3. Click '**OK**'

Deduction from after-tax earnings - based on Qualifying Earnings

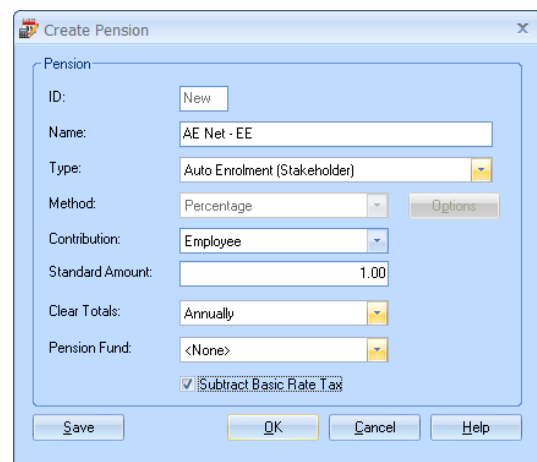
A Deduction from after-tax earnings is deducted from the employee's pay after Tax and NI is calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2014/15 the rate is 20%. Higher rate tax payers need to claim the remaining tax relief from HMRC. This method of deducting pension contributions HMRC call relief at source (RAS).

In payroll, if say the employee's pension deduction is 1%, you would be 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. For tax year 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

Add employee pension deduction:

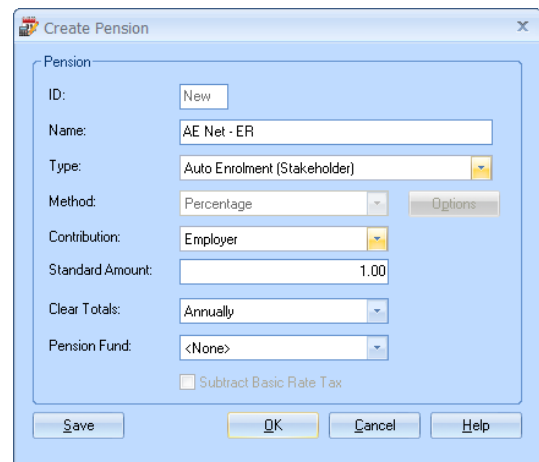
1. Go to the **Pension** menu and select '**Configure Pensions**'
2. Click on '**Add New**'
3. Enter the **Name** of the pension deduction
4. In the '**Type**' field select **Auto Enrolment (Stakeholder)**
5. In the '**Contribution**' field, select **Employee**
6. Enter a **Standard** amount, to set 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 clear 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. Go to the **Pension** menu and select '**Configure Pensions**'
2. Click on '**Add New**'
3. Enter the **Name** of the pension deduction

4. In the '**Type**' field select **Auto Enrolment (Stakeholder)**
5. In the '**Contribution**' field, select **Employer**
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 clear along with other year to-date totals
8. **Pension Fund** should be the default of '<None>'
9. Click '**OK**'



Create Pension

Pension

ID:

Name:

Type:

Method:

Contribution:

Standard Amount:

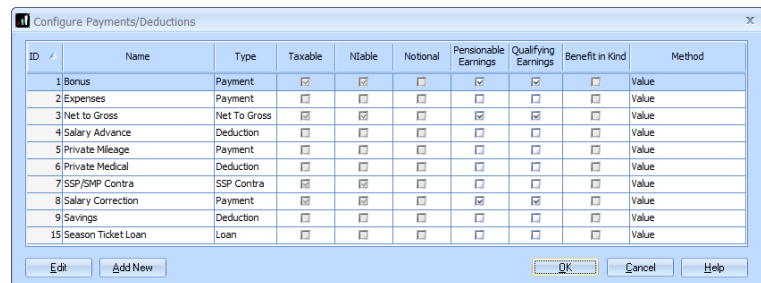
Clear Totals:

Pension Fund:

Subtract Basic Rate Tax

Configure pension deduction pay elements:

1. Go to the **Company** menu and 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
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 contribution 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 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 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 take into account 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. Go to the **Pension** menu and 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

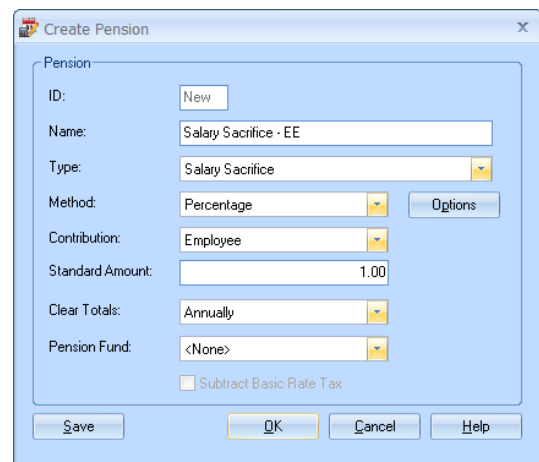
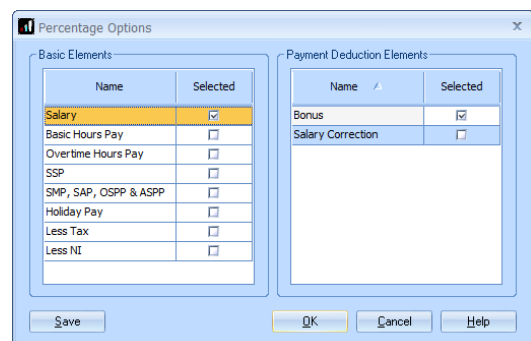
8. When **Clear Totals** field is set to **Annually**, during **Year-end Restart** the year to-date total for this pension deduction will be clear along with other year to-date totals

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

10. Click the '**Options**' button and then tick all the pay elements you want the pension deduction to be calculated on

11. Click '**OK**' on the **Percentage Options** screen

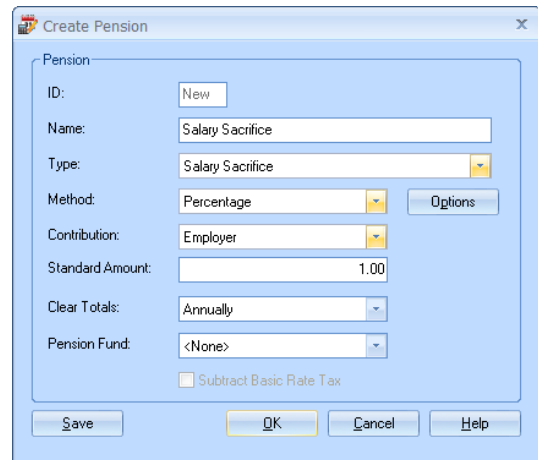
12. Click '**OK**' to save the new employee pension deduction

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

Add employer pension deduction:

1. Go to the **Pension** menu and 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 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 clear 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 then 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 deducted from the employee's pay after Tax and NI is calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2014/15 the rate is 20%. Higher rate tax payers need to claim the remaining tax relief from HMRC. This method of deducting pension contributions HMRC call relief at source (RAS).

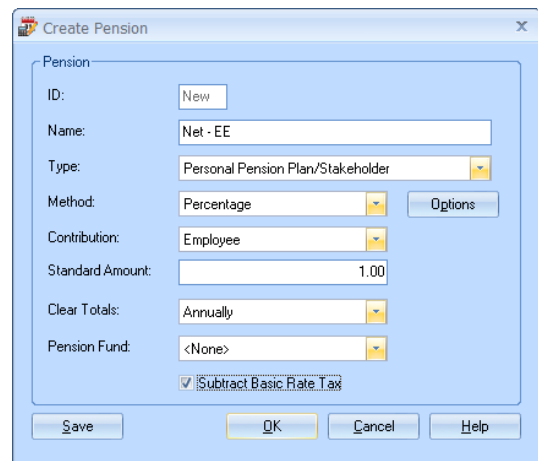
In payroll, if say the employee's pension deduction is 1%, you would enter 1% in the employee's pension deduction standard value but the actual deduction will be 0.8% from their pay.

The pension deduction is calculated as a percentage of earnings you specified when setting up the Standard Life scheme by choosing one of the following options:

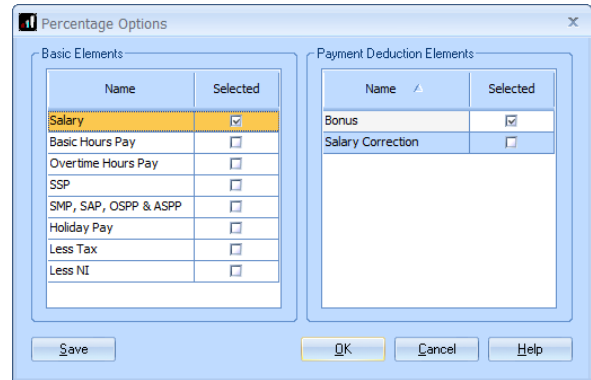
- **Basic Pay** – the gross basic wage an employee earns, for example the employee's salary. This doesn't take into account any additional pay elements, such as overtime or bonuses.
- **Pensionable Pay** – must be at least 85% of the employee's Total Pay.
- **Total Pay** – 100% of an employee's gross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

Add employee pension deduction:

1. Go to the **Pension** menu and 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/Stakeholder**
5. In the '**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 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



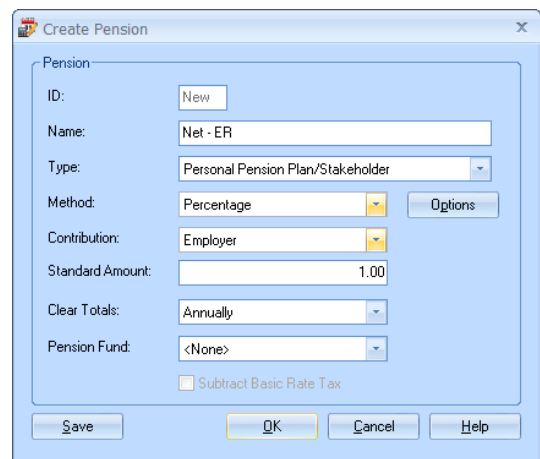
11. Click the **'Options'** button and then tick all the pay elements you want the pension deduction to be calculated on
12. Click **'OK'** on the **Percentage Options** screen
13. Click **'OK'**



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

Add employer pension deduction:

1. Go to the **Pension** menu and 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/Stakeholder'**
5. In the **'Method'** field, select **Percentage**
6. In the **'Contribution'** field, select **Employer**
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 clear 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 then click **'OK'**
11. 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