

# **Scottish Widows – Pension Deduction Creation**

**IRIS Payroll**

April 2016



## Contents

<b>Introduction.....</b>	<b>3</b>
Salary Exchange - based on Qualifying Earnings .....	4
Add employee pension deduction .....	4
Add employer pension deduction .....	5
Configure pension deduction pay elements .....	5
Net - based on Qualifying Earnings.....	6
Add employee pension deduction .....	6
Add employer pension deduction .....	7
Configure pension deduction pay elements .....	7
Salary Exchange - based on Pensionable Earnings or Total Earnings .....	8
Add employee pension deduction .....	8
Add employer pension deduction .....	9
Net - based on Pensionable Earnings or Total Earnings .....	10
Add employee pension deduction .....	10
Add employer pension deduction .....	11

## 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; for more information please contact Scottish Widows.

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 setup 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**

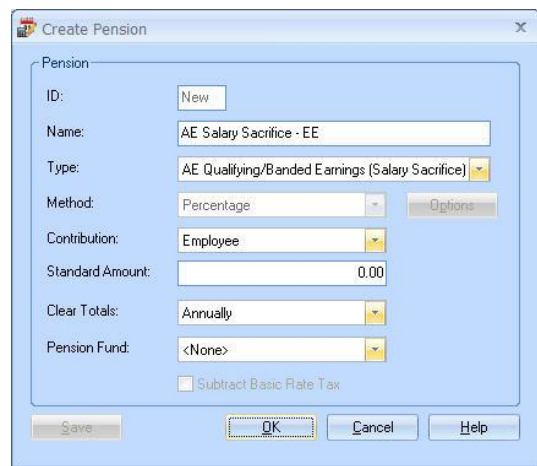
## Salary Exchange - based on Qualifying Earnings

A Salary Exchange (Salary Sacrifice) pension deduction is 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 2016/2017, the lower limit is £5,824 and the upper limit is £43,000.

### 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 **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 **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>**

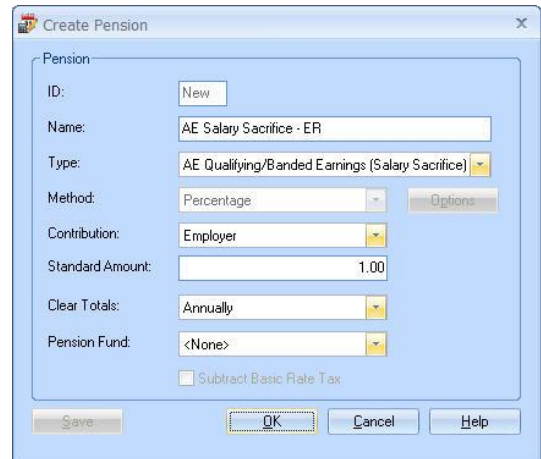


**Please Note:** The **Subtract Basic Rate Tax** will be disabled for this Pension Type

9. Click **OK**

## Add employer pension deduction

1. 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 **AE Qualifying /Branded 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>**



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

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**

## Net - based on Qualifying Earnings

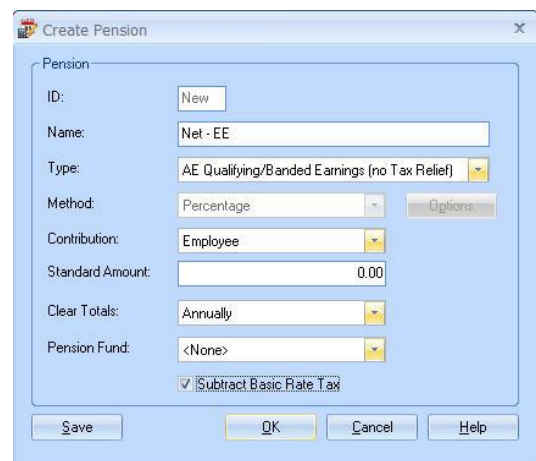
A Net pension is deducted from the employee's pay after Tax and NI is calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2016/2017 the rate is 20%. Higher rate tax payers need to claim the remaining tax relief from HMRC. This method of deducting pension 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.

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 2016/2017, the lower limit is £5,824 and the upper limit is £43,000.

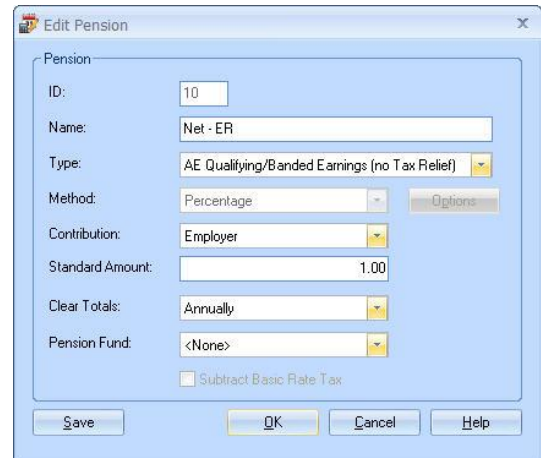
### Add employee pension deduction

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 **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 the **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 **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>**



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

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	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 contribution 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 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 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

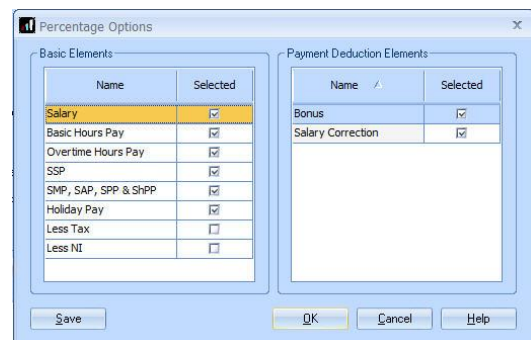
### Add employee pension deduction

1. 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 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

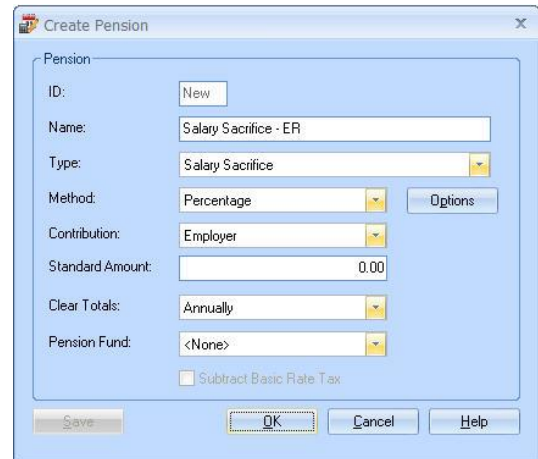
10. Click the **Options** button and then tick all the pay elements you want the pension deduction to be calculated on
11. Click **OK** on the **Percentage Options** screen
12. Click **OK** to save the new employee pension deduction





## 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 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 then 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 is calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2016/2017 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).

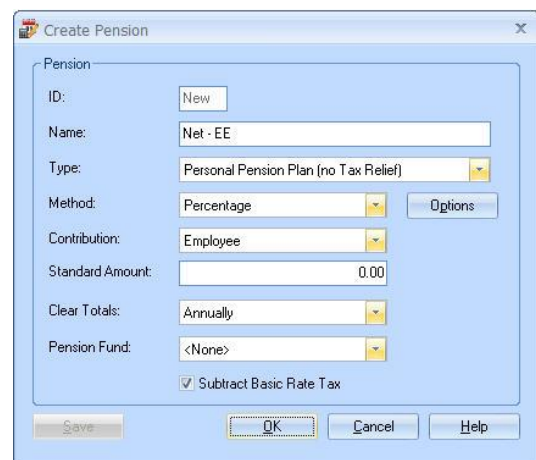
In payroll, if say the employee's pension deduction is 1%, you would enter 1% in the employee's pension deduction standard value but the actual deduction will be 0.8% from their pay.

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

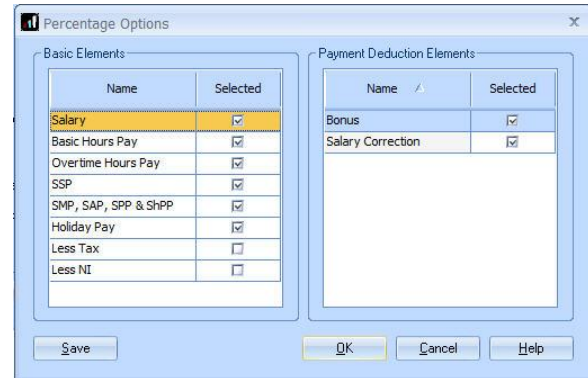
- **Pensionable Earnings** – must be at least all basic earnings. This can exclude any variable pay elements but must include geographical allowances
- **Total Earnings** – includes all of the employee's earnings

### Add employee pension deduction

1. 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 (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 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**



The 'Percentage Options' dialog box contains two tables. The 'Basic Elements' table has columns 'Name' and 'Selected'. The 'Payment Deduction Elements' table also has columns 'Name' and 'Selected'.

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"/>

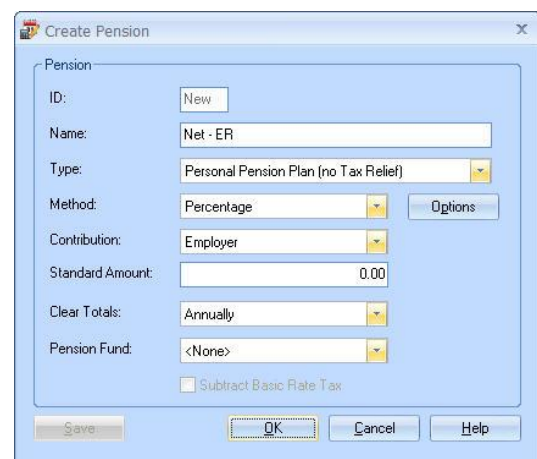
  

Name	Selected
Bonus	<input checked="" type="checkbox"/>
Salary Correction	<input checked="" type="checkbox"/>

Buttons at the bottom: Save, OK, Cancel, Help.

### 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 (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 **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 then click **OK**
11. Click **OK**



The 'Create Pension' dialog box contains the following fields and options:

- ID: New
- Name: Net - ER
- Type: Personal Pension Plan (no Tax Relief)
- Method: Percentage
- Contribution: Employer
- Standard Amount: 0.00
- Clear Totals: Annually
- Pension Fund: <None>
- ☐ Subtract Basic Rate Tax

Buttons at the bottom: Save, OK, Cancel, Help.

## 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: <a href="mailto:helpdesk@ir-efile.gov.uk">helpdesk@ir-efile.gov.uk</a>	

### Contact Sales (including stationery sales)

For IRIS Payrolls	For Earnie Payrolls
Tel: 0844 815 5700	Tel: 0844 815 5677
Email: <a href="mailto:sales@iris.co.uk">sales@iris.co.uk</a>	Email: <a href="mailto:earniesales@iris.co.uk">earniesales@iris.co.uk</a>

### Contact support

Your Product	Phone	E-mail
IRIS PAYE-Master	0844 815 5661	<a href="mailto:payroll@iris.co.uk">payroll@iris.co.uk</a>
IRIS Payroll Business	0844 815 5661	<a href="mailto:ipsupport@iris.co.uk">ipsupport@iris.co.uk</a>
IRIS Bureau Payroll	0844 815 5661	<a href="mailto:ipsupport@iris.co.uk">ipsupport@iris.co.uk</a>
IRIS Payroll Professional	0844 815 5671	<a href="mailto:payrollpro@iris.co.uk">payrollpro@iris.co.uk</a>
IRIS GP Payroll	0844 815 5681	<a href="mailto:gpsupport@iris.co.uk">gpsupport@iris.co.uk</a>
IRIS GP Accounts	0844 815 5681	<a href="mailto:gpaccsupport@iris.co.uk">gpaccsupport@iris.co.uk</a>
Earnie or Earnie IQ	0844 815 5671	<a href="mailto:earniesupport@iris.co.uk">earniesupport@iris.co.uk</a>