IRIS Payroll

Aviva – Pension Deduction creation

April 2020

IRIS. Look forward

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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

Aviva permits employers to calculate the pension deduction based on a percentage of Banded Earnings or Pensionable Earnings. The tax basis of the pension deduction can be via Salary Sacrifice (also known as Salary Exchange) or Employee Net Deduction. For more information about Aviva's offering, click **here**. Aviva also has various **factsheets** about automatic enrolment.

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

- **Salary Sacrifice/Salary Exchange – based Banded Earnings**
- **Salary Sacrifice/Salary Exchange – based on Pensionable Earnings**
- **Employee Net Deduction – based on Banded Earnings**
- **Employee Net Deduction – based on Pensionable Earnings**

Salary Sacrifice or Salary Exchange pension - based on Banded Earnings

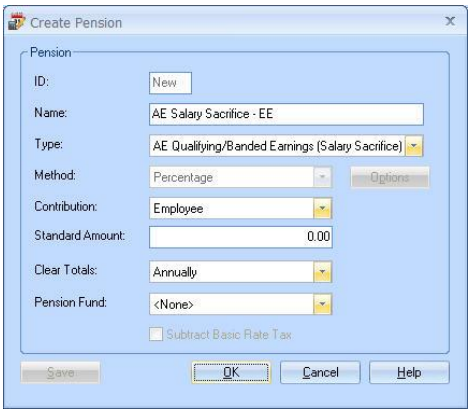
A Salary Sacrifice (Salary Exchange) pension deduction is deducted from the employee's pay before Tax and NI are calculated, which means the employee is due to pay less Tax and NI.

A Banded 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 **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **AE Qualifying/Banded Earnings (Salary Sacrifice)**

   Method will be 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



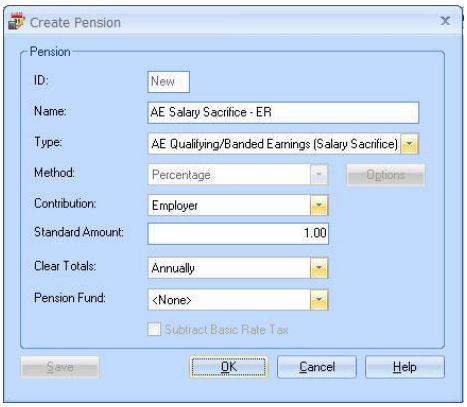
7. When the **Clear Totals** field is set to **Annually**, during **Year-end Restart** the year-to-date total for this pension deduction will be cleared along with other year-to-date totals
8. **Pension Fund** should be the default of **<None>**
9. Click **OK**

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

Add employer pension deduction

1. From the **Pension** menu, select **Configure Pensions**
2. Click **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **AE Qualifying/Banded Earnings (Salary Sacrifice)**

   Method will be set automatically and disabled
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 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. Click **OK**

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

Configure pension deduction pay elements

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

   Employees' pension contributions will also be calculated on these pay elements

3. Click **OK**

Employee Net Deduction - based on Banded Earnings

An Employee Net Deduction 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 2020/21, 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).

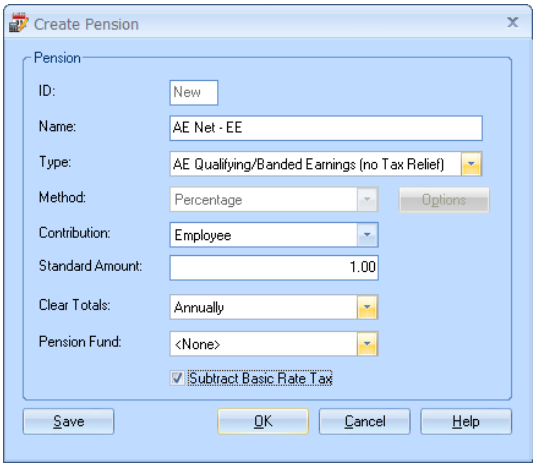
For example, in payroll, if say the employee's pension deduction is 1%, you would enter 1% in the employee's pension deduction standard value, but the actual deduction will be 0.8% from their pay.

A Banded 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 **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **AE Qualifying/Banded Earnings (no Tax Relief)**

   Method will be 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

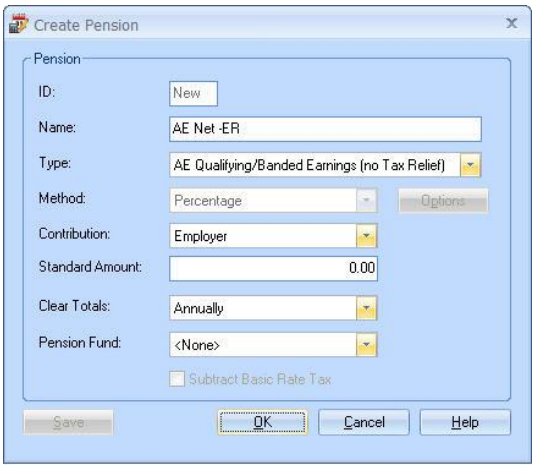


7. When the **Clear Totals** field is set to **Annually**, during **Year-end Restart** the year-to-date total for this pension deduction will be cleared along with other year-to-date totals
8. **Pension Fund** should be the default of **<None>**
9. Tick the **Subtract Basic Rate Tax** box
10. Click **OK**

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 will be 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** option 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

   Employees' pension contributions will also be calculated on these pay elements
3. Click **OK**

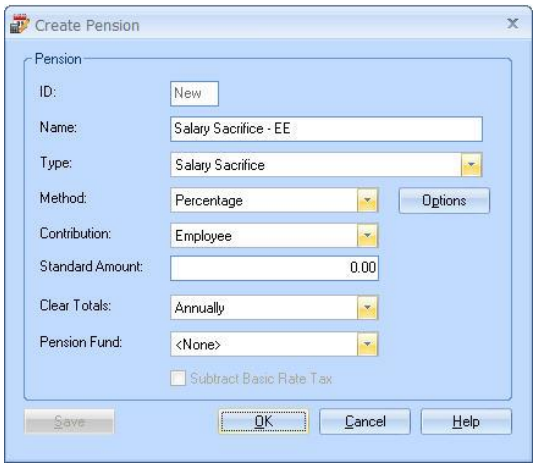
Salary Sacrifice or Salary Exchange pension - based on Pensionable Earnings

A Salary Sacrifice (Salary Exchange) pension deduction is deducted from the employee's pay before Tax and NI are calculated, which means the employee is due to pay less Tax and NI.

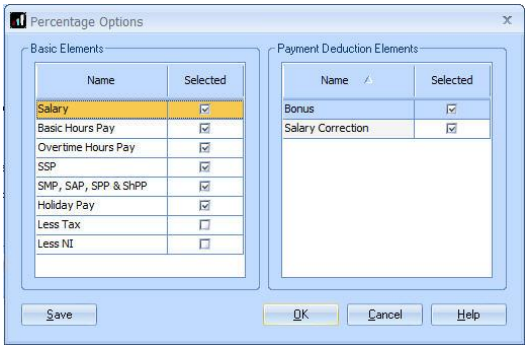
A Pensionable Earnings pension deduction is calculated as a percentage of earnings you specified when setting up the Aviva scheme. For example, this could be a percentage of Salary only or Salary plus bonus etc.

Add employee pension deduction

1. From the **Pension** menu, select **Configure Pensions**
2. Click **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 **Employee**
7. Enter a **Standard Amount** to set an employee's deduction amount when the employee is automatically enrolled



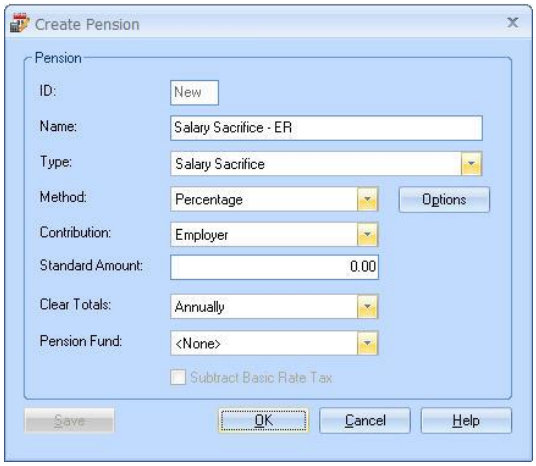
8. When the **Clear Totals** field is set to **Annually**, during **Year-end Restart** the year-to-date total for this pension deduction will be cleared along with other year-to-date totals
9. **Pension Fund** should be the default of **<None>**
10. Click the **Options** button and then tick all the 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



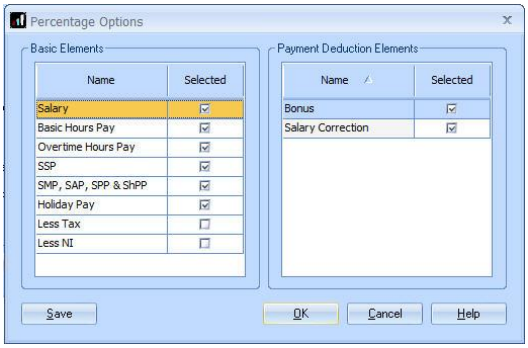
Please Note: The **Subtract Basic Rate Tax** option will be disabled for this Pension Type.

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 **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 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** to save the new employer pension deduction



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

Employee Net Deduction - based on Pensionable Earnings

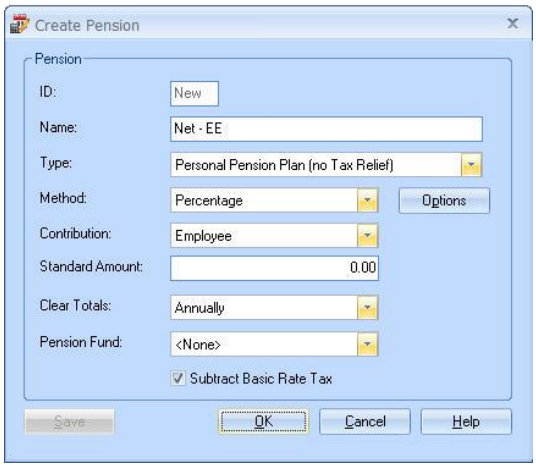
An Employee Net Deduction is deducted from the employee's pay after Tax and NI are calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2020/2021, the rate is 20%. Higher rate taxpayers need to claim the remaining tax relief from HMRC. This method of deducting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

For example, in payroll, if 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.

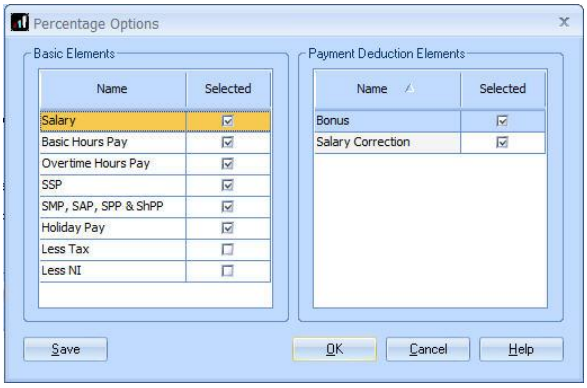
A Pensionable Earnings pension deduction is calculated as a percentage of earnings you specified when setting up the Aviva scheme. For example, this could be a percentage of Salary only or Salary plus bonus etc.

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 employee's deduction amount when the employee is automatically enrolled

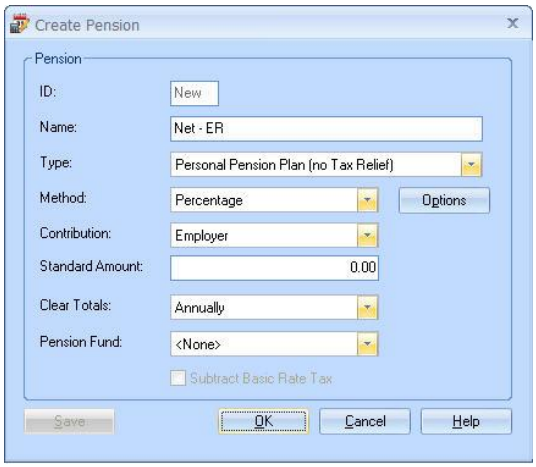


8. When the **Clear Totals** field is set to **Annually**, during **Year-end Restart** the year-to-date total for this pension deduction will be clear along with other year-to-date totals
9. **Pension Fund** should be the default of **<None>**
10. Tick the **Subtract Basic Rate Tax** box
11. Click the **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**

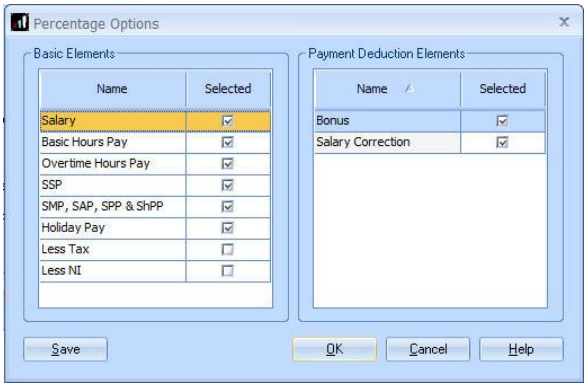


Add employer pension deduction:

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 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>**
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 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 Fax: 0844 366 7828 Email: helpdesk@ir-efile.gov.uk	Tel: 0300 200 3200 Tel: 0300 200 3211 (new business)

Contact Sales (including stationery sales)

For IRIS Payrolls	For Earnie Payrolls
Tel: 0344 815 5700 Email: sales@iris.co.uk	Tel: 0344 815 5677 Email: earniesales@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

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