IRIS Payroll

NOW Pension 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

Now Pensions permit employers to calculate the pension deduction based on a percentage of Banded Earnings, Basic Pay or Total Earnings; for more information, click **here**.

The tax basis of the pension deduction can be via Salary Sacrifice or Net Pay Arrangement (also known as Gross); for more information, click **here**.

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

- **Salary Sacrifice pension - based on Banded Earnings**
- **Net Pay Arrangement/Gross - based on Banded Earnings**
- **Salary Sacrifice pension – Basic Pay or Total Earnings**
- **Net Pay Arrangement - based on Basic Pay or Total Earnings**

Salary Sacrifice pension - based on Banded Earnings

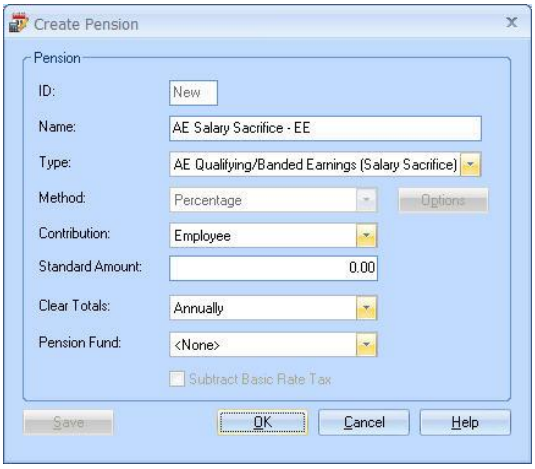
A Salary Sacrifice pension deduction is subtracted from the employee's pay before Tax and NI are calculated, which means the employee is due to pay less Tax and NI.

A Banded 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. Select **Pension | 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)**

   The **Method** field is set automatically for you
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**

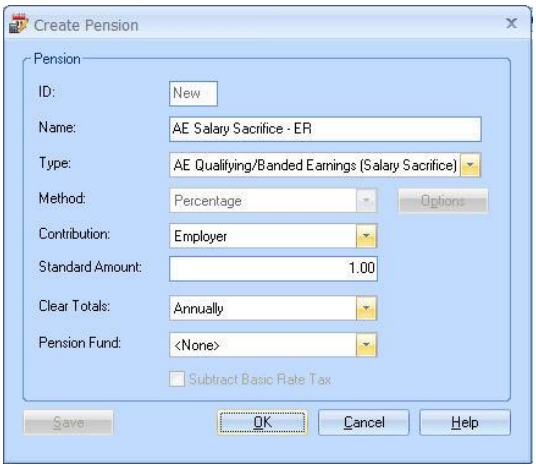


Please Note: The **Subtract Basic Rate Tax** will be disabled for this Pension Type.

Add employer pension deduction

1. Select **Pension | 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 field is set automatically for you
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. If 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** will be disabled for this Pension Type.

Configure pension deduction pay elements

1. Select **Company | 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

   The employees' pension contribution will also be calculated on these pay elements
3. Click **OK**

Net Pay Arrangement/Gross - based on Banded Earnings

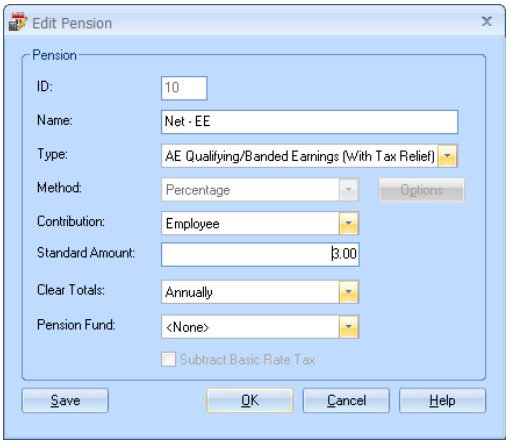
During payroll, a Net Pay Arrangement pension is deducted from the employee's pay after NI is calculated but before Tax is calculated. This means the employee's Taxable Gross pay is reduced and the employee is due to pay less Tax from their pay.

A Banded Earnings pension deduction is calculated as a percentage of the employee's Qualifying Earnings between the lower limit and upper limit. For tax year 2016/2017, the lower limit is £5,824 and the upper limit is £43,000.

Add employee pension deduction

1. Select **Pension | 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 (With Tax Relief)**

   The **Method** field is set automatically for you
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



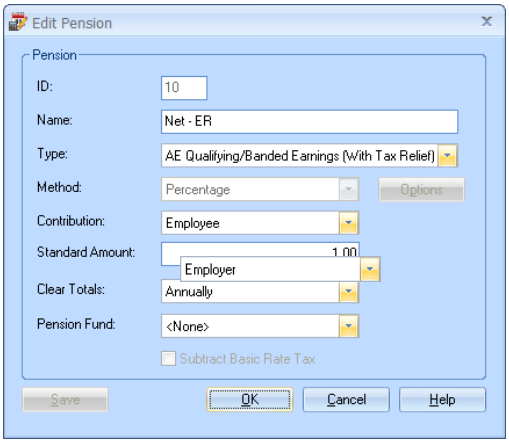
7. If the **Clear Totals** field is set to **Annually**, during **Year-end Restart** the year-to-date total for this pension deduction will be cleared along with other year-to-date totals
8. **Pension Fund** should be the default of **<None>**
9. Click **OK**

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

Add employer pension deduction

1. Select **Pension | 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 (With Tax Relief)**

   The **Method** field is set automatically for you
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. If 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** 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

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

3. Click **OK**

Salary Sacrifice pension – Basic Pay or Total Earnings

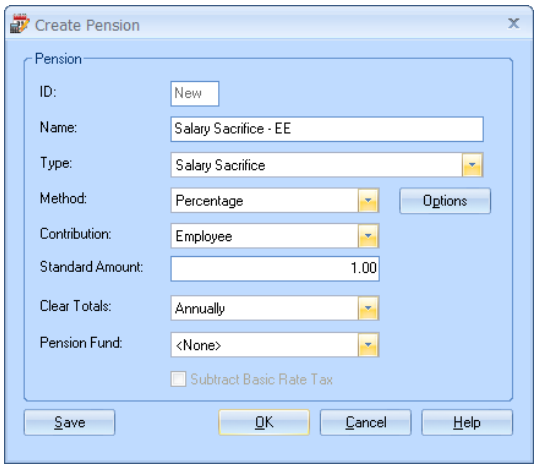
A Salary Sacrifice pension deduction is subtracted from the employee's pay before Tax and NI are calculated, which means the employee is due to pay less Tax and NI.

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

- **Basic Pay** – the gross earnings of the employee, for example, the employee's salary. This doesn't consider any additional pay elements, such as overtime, bonuses, commission or shift premium pay
- **Total Earnings** – the total pay due for the pay period before deductions. This includes any additional pay elements, such as overtime or bonuses

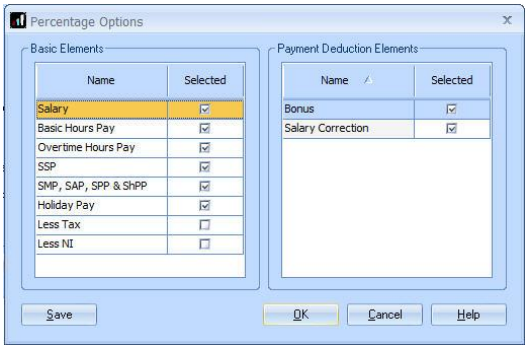
Add employee pension deduction

1. Select **Pension | 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 **Employee**
7. Enter a **Standard Amount** to set an employee's deduction amount when the employee is automatically enrolled
8. If 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>**



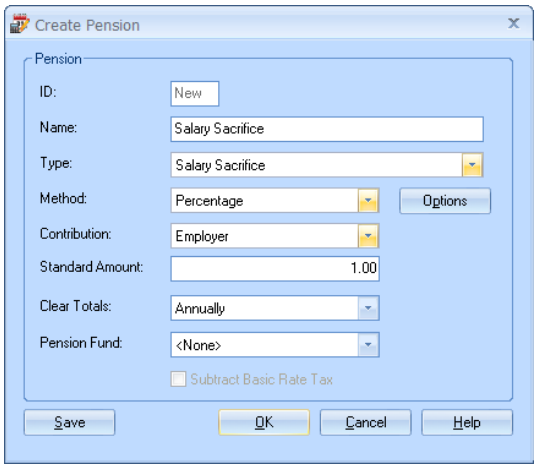
Please Note: The **Subtract Basic Rate Tax** will be disabled for this Pension Type.

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



Add employer pension deduction

1. Select **Pension | 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. If 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** to save the new employer pension deduction



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

Net Pay Arrangement - based on Basic Pay or Total Earnings

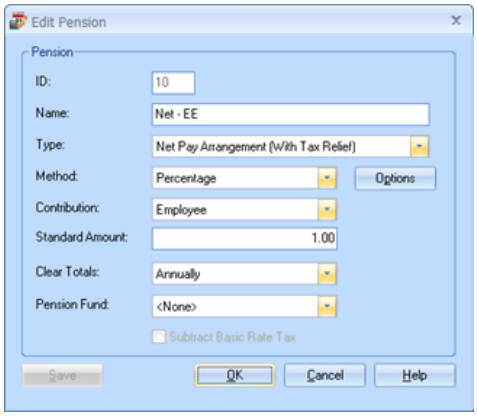
During payroll, a Net Pay Arrangement pension is deducted from the employee's pay after NI is calculated but before Tax is calculated. This means the employee's Taxable Gross pay is reduced and the employee is due to pay less Tax from their pay.

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

- **Basic Pay** – the gross earnings of the employee, for example, the employee's salary. This doesn't consider any additional pay elements, such as overtime, bonuses, commission or shift premium pay
- **Total Earnings** – the total pay due for the pay period before deductions. This includes any additional pay elements, such as overtime or bonuses

Add employee pension deduction

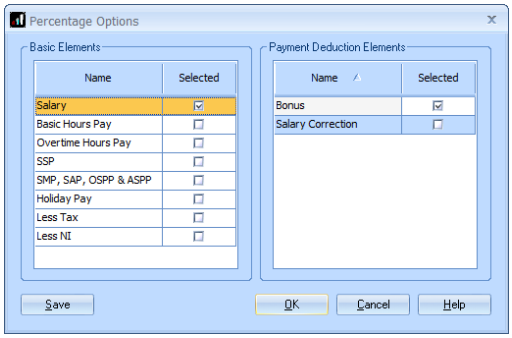
1. From the **Pension** menu, select **Configure Pensions**
2. Click on **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **Net Pay Arrangement (With Tax Relief)**
5. In the **Method** field, select **Percentage**
6. In the **Contribution** field, select **Employee**
7. Enter a **Standard Amount** to set an employee's deduction amount when the employee is automatically enrolled



8. If 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>**

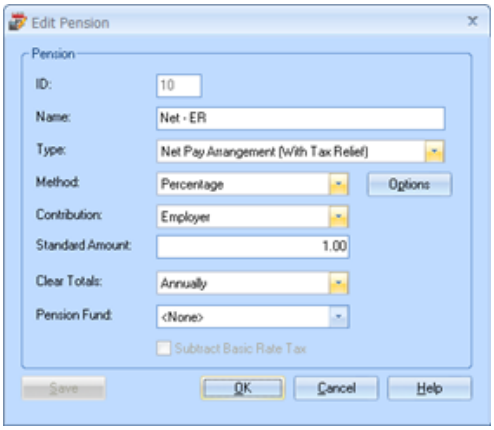
Please Note: The **Subtract Basic Rate Tax** will be disabled for this Pension Type.

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



Add employer pension deduction

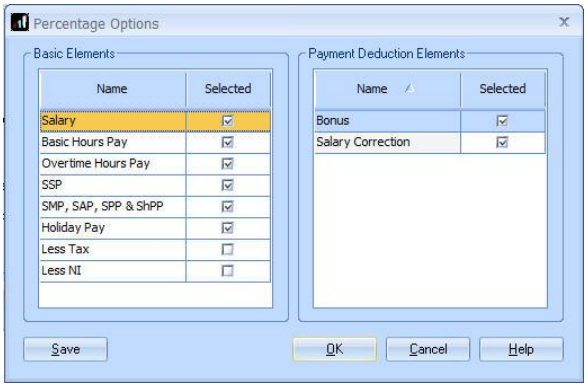
1. Select **Pension | Configure Pensions**
2. Click on **Add New**
3. Enter the **Name** of the pension deduction
4. In the **Type** field, select **Net Pay Arrangement (With Tax Relief)**
5. In the **Method** field, select **Percentage**
6. In the **Contribution** field, select **Employer**
7. Enter a **Standard Amount** to set an employer's deduction amount when the employee is automatically enrolled



8. If 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**



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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