

IRIS GP Payroll

Guide to creating a NEST
Pension Deduction

April 2020

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Guide to creating a NEST Pension Deduction

This guide will give you an overview of how to configure your Alternative Qualifying Scheme if you are using NEST and covers:

- How to configure the NEST Pension fund including the standard employee and employer contributions
- How to amend individual employee and employer contributions

With NEST, employers can calculate the pension deduction based on a percentage of Qualifying Earnings, Pensionable Earnings or Total Earnings; for more information click [here](#).

IRIS GP Payroll has the following options available:

- **Auto Enrol – Salary Sacrifice**
- **Auto Enrol - Stakeholder**
- **Auto Enrol – with Tax Relief**
- **Pensionable Earnings – Salary Sacrifice**
- **Pensionable Earnings – with Tax Relief**

Creating the NEST Pension Fund

GP Practices in the UK should all be using the NHS Pension scheme as their default pension fund. Practices who have employees who are not eligible to join the NHS Pension scheme must also set up an Alternative Qualifying Pension Scheme. NEST can be used as the Alternative Qualifying Scheme.

To configure the NEST Pension Fund

1. Go **Setup/ Options | 4 - Practice Pension Details**

Setup Options

12 - Tax/NI Parameters | 13 - Screen Appearance | 14 - Previous years' payrolls | 15 - Licence
9 - Design User-definable Summaries | 10 - Rearrange Employee Order | 11 - Automatic Change of Tax Codes
5 - Staff Budgets | 6 - Define Employee Group Headings | 7 - Direct Banking | 8 - Accounts Link
Instructions | 1 - Program Options | 2 - Passwords | 3 - Practice PAYE Details | 4 - Practice Pension Details

Choose the correct Pension Agency. Enter the details in the other fields as they will be printed on pension summary statements. The postcode is important as it is printed on the GP1 (England).

Pension Agency

England/Wales Scotland Northern Ireland

Employer Contribution Rate %

Round employer contributions up

From 1 April 2019 the employer contribution rate for England and Wales will be 14.38%, 20.90% in Scotland and 16.30% in Northern Ireland.

Practice Details for Pension Agency

Practice reference number

Practice Name

Practice address

Post code

Auto Enrolment Details
AE Configuration Tool
OpenEnrol Login
OK
Cancel
Help

2. Select **Auto Enrolment Details** then click **Pension Fund Details**

Configure Pension Fund Details

| Name | Address | Scheme Ref. | Bank Details | Default for AE? |
|--|---------|-------------|--------------|-------------------------------------|
| NHS Pension Scheme | | | | <input checked="" type="checkbox"/> |
| <The Stakeholder pension name goes here> | | | | <input type="checkbox"/> |
| <The Alternative pension name goes here> | | | | <input type="checkbox"/> |

Edit OK Cancel Help

3. Choose **The Alternative Pension name goes here** and click **Edit**

4. Enter the scheme **Name** and **Address** and **Contact Details**
5. Select the **Scheme Type** – **Defined Contributions**
6. Enter the **Scheme Ref**, for example EMP00012345
7. Choose the **Opt-Out Period**
8. Setup the **Contribution Details** which apply to your NEST contract

The NEST contributions can be configured in different ways depending upon the type of NEST pension scheme you have:

- **Auto Enrol – Salary Sacrifice**
- **Auto Enrol – Stakeholder**
- **Auto Enrol – with Tax Relief**
- **Pensionable Earnings – Salary Sacrifice**
- **Pensionable Earnings – with Tax Relief**

To amend individual Employee and Employer Contributions (after the initial enrolment)

1. Go to **Employee Details | Pension Details | Auto Enrolment Details**
2. Under the **Contributions** section amend the **Employer** and/or **Employee** deduction

Pension Types

Auto Enrolment – Salary Sacrifice

Salary sacrifice pension contributions are deducted from the employee's pay before the Tax and National Insurance is calculated which means that the employee pays less Tax and National Insurance.

If the pension fund is a basic Auto Enrolment scheme, this means that the pension deduction is calculated as a percentage of an employee's **Qualifying Earnings**.

Auto Enrolment – Stakeholder (Sometimes also known as Relief at Source)

Stakeholder pension contributions are deducted from the employee's pay after Tax and National Insurance have been calculated. The employee then receives basic rate tax relief on the pension deduction (20% for 2020/2021 tax year). Higher Rate taxpayers can claim the additional tax relief directly from HMRC.

For Stakeholder pensions, only 80% of the employee's eventual contribution is deducted from the employee, as the 20% tax relief is applied directly to the employee's pension pot.

If the stakeholder scheme is a basic auto enrolment scheme then the pension contribution is calculated as a percentage of an employee's **Qualifying Earnings**.

Auto Enrolment – with Tax Relief (Sometimes also known as Net Pay Arrangement)

With Tax Relief, pension contributions are deducted from the employee's pay before the Tax is calculated but after the National Insurance has been calculated. The employee therefore pays less tax but there is no reduction in National Insurance.

Again if the pension scheme is a basic auto enrolment scheme, the pension contribution is calculated as a percentage of an employee's **Qualifying Earnings**.

Pensionable Earnings – Salary Sacrifice

Where the pension scheme is not a basic auto enrolment scheme, the pension contributions will be based on pay elements specified by the pension provider and these will need to be set in GP Payroll. In this type of the scheme the pension contributions will be based on all the earnings for each pay element (not just earnings between the lower and upper earning thresholds).

The pension deduction is calculated as a percentage of pay element earnings before the Tax and National Insurance is applied, meaning that the employee pays less Tax and National Insurance.

Pensionable Earnings with Tax Relief

Where the pension scheme is not a basic auto enrolment scheme, the pension contributions will be based on pay elements specified by the pension provider and these will need to be set in GP Payroll. In the type of the scheme the pension contributions will be based on all the earnings for each pay element (not just earnings between the lower and upper earning thresholds).

The pension deduction is calculated as a percentage of pay element earnings before Tax but after National Insurance has been applied, meaning that the employee pays less Tax but the usual amount of National Insurance.

It is the employers' responsibility to ensure that you are aware what type of pension scheme you have signed up for that this is set up correctly in the software. If you are unsure of any of the details required, then you must contact your pension provider (IRIS GP Payroll Support will not be able to assist as they will not know the details of your contract with your pension provider).

Qualifying Earnings Definition

The definition of Qualifying Earnings for Auto Enrolment purposes is earnings above the Lower Earnings Threshold up to the Upper Earnings Threshold.

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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