

NOW Pension Deduction Creation

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Introduction

This guide will give you an overview of how to configure your Now: Pension deductions 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](#).

For instructions on how to setup 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 – based on Basic Pay or Total Earnings](#)
- [Net Pay Arrangement – based on Basic Pay or Total Earnings](#)

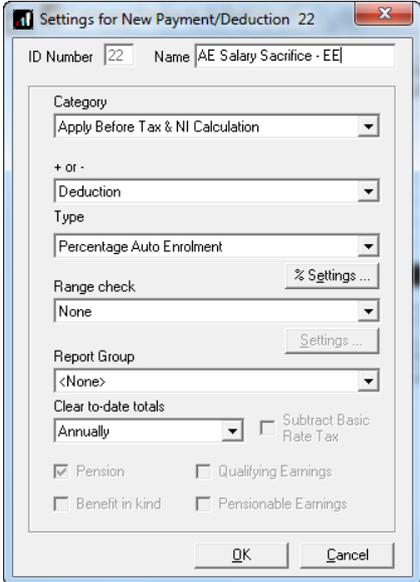
Salary Sacrifice pension - based on Banded Earnings

A Salary Sacrifice pension deduction is 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 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 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

Add employee pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Apply Before Tax & NI Calculation**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage Auto Enrolment**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '**<None>**'
10. 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
11. Click '**OK**'



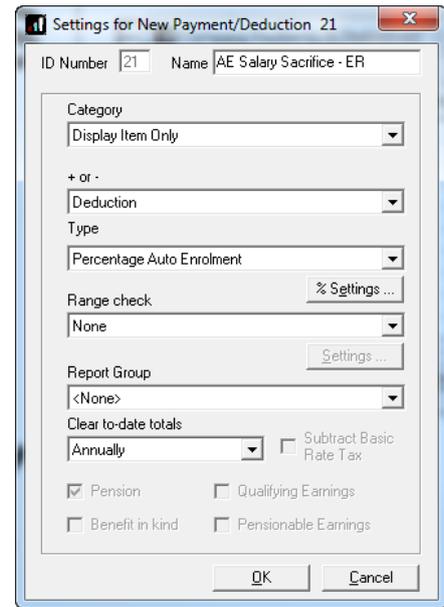
The screenshot shows a dialog box titled "Settings for New Payment/Deduction 22". It contains the following fields and options:

- ID Number: 22
- Name: AE Salary Sacrifice - EE
- Category: Apply Before Tax & NI Calculation
- + or -: Deduction
- Type: Percentage Auto Enrolment
- Range check: None (with a "% Settings ..." button)
- Report Group: <None> (with a "Settings ..." button)
- Clear to-date totals: Annually (with a "Subtract Basic Rate Tax" checkbox)
- Checkboxes:
 - Pension
 - Qualifying Earnings
 - Benefit in kind
 - Pensionable Earnings
- Buttons: OK, Cancel

Add employer pension deduction:

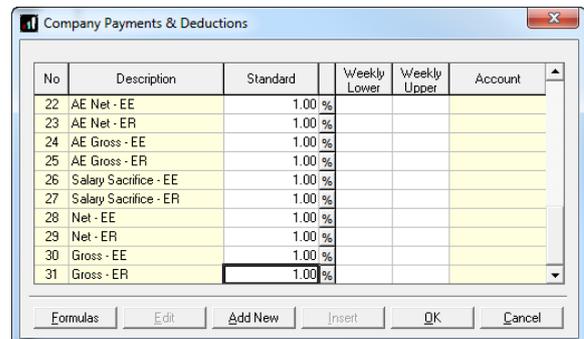
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard

4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Display Item Only**'
This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select '**Display Item Only – Hidden from Payslip**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage Auto Enrolment**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '**<None>**'
10. 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
11. Click '**OK**'



Enter default percentage for the employee and employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
3. Next to the employer pension deduction, click in the '**Standard**' field and enter the default percentage



No	Description	Standard	Weekly Lower	Weekly Upper	Account
22	AE Net - EE	1.00 %			
23	AE Net - ER	1.00 %			
24	AE Gross - EE	1.00 %			
25	AE Gross - ER	1.00 %			
26	Salary Sacrifice - EE	1.00 %			
27	Salary Sacrifice - ER	1.00 %			
28	Net - EE	1.00 %			
29	Net - ER	1.00 %			
30	Gross - EE	1.00 %			
31	Gross - ER	1.00 %			

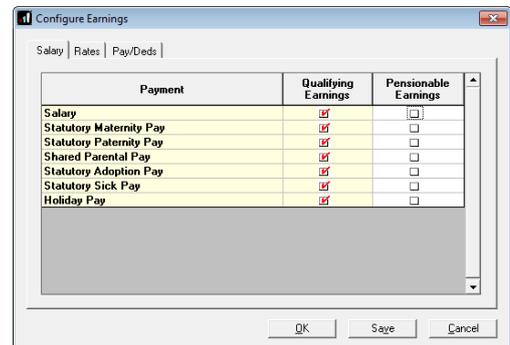
Configure pension deduction pay elements:

1. Go to the **Pension** menu and select '**Configure Earnings**'

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**'



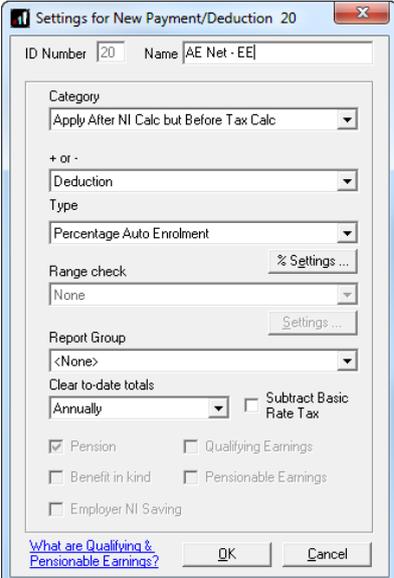
Net Pay Arrangement/Gross - based on Banded Earnings

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 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

Add employee pension deduction:

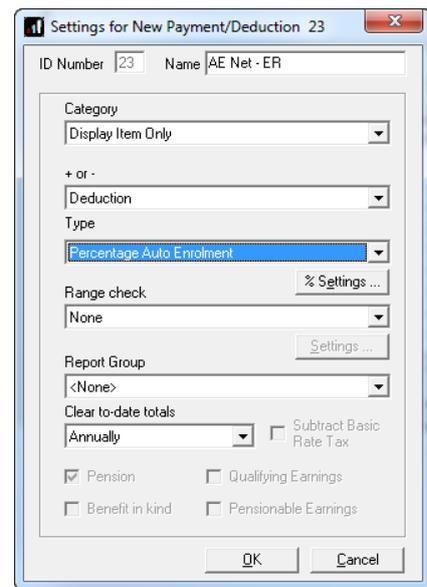
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Apply After NI Calc but Before Tax Calc**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage Auto Enrolment**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '**<None>**'
10. 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
11. Leave the '**Subtract Basic Rate Tax**' box un-ticked
12. Click '**OK**'



Add employer pension deduction:

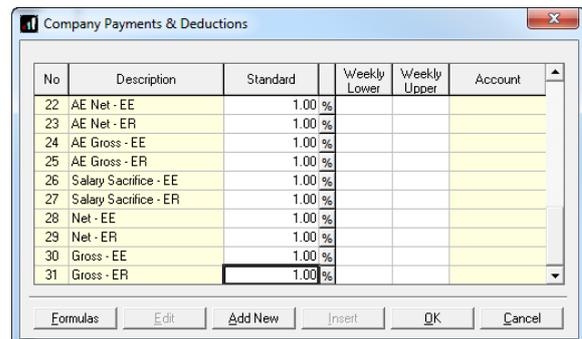
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard

4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Display Item Only**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage Auto Enrolment**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '**<None>**'
10. 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
11. Click '**OK**'



Enter default percentage for the employee and employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
3. Next to the employer pension deduction, click in the '**Standard**' field and enter the default percentage

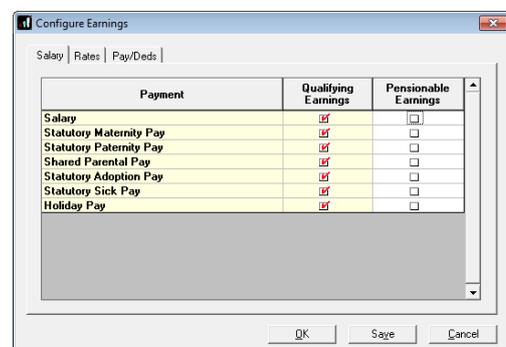


No	Description	Standard	Weekly Lower	Weekly Upper	Account
22	AE Net - EE	1.00 %			
23	AE Net - ER	1.00 %			
24	AE Gross - EE	1.00 %			
25	AE Gross - ER	1.00 %			
26	Salary Sacrifice - EE	1.00 %			
27	Salary Sacrifice - ER	1.00 %			
28	Net - EE	1.00 %			
29	Net - ER	1.00 %			
30	Gross - EE	1.00 %			
31	Gross - ER	1.00 %			

Configure pension deduction pay elements:

1. Go to the **Pension** menu and select '**Configure Earnings**'
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**'



Payment	Qualifying Earnings	Pensionable Earnings
Salary	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Maternity Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Paternity Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Shared Parental Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Adoption Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Sick Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Holiday Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Salary Sacrifice pension - based on Basic Pay or Total Earnings

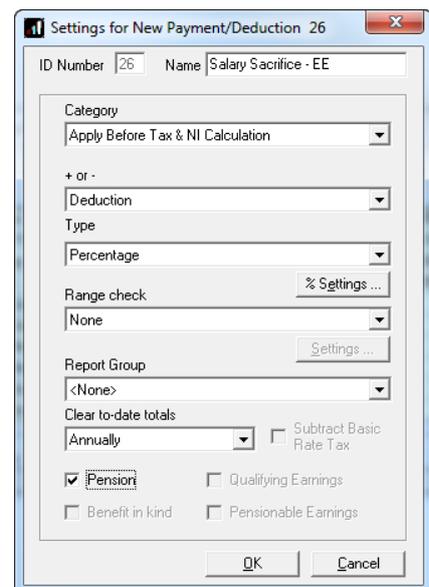
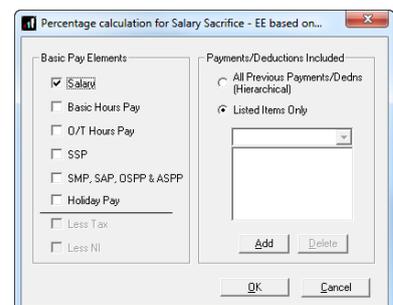
A Salary Sacrifice pension deduction is deducted from the employee's pay before Tax and NI is calculated, which means the employee is due to pay less Tax and NI.

The pension deduction is calculated as a percentage of earnings you specified when setting up the 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 take into account 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. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Apply Before Tax & NI Calculation**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '**<None>**'
10. 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
11. Tick the '**Pension**' box
12. Click the '**% Settings**' and then tick all the pay elements you want the pension deduction to be calculated on
13. Click '**OK**' on the **Percentage calculation** screen
14. Click '**OK**' on the **Settings for New Payment/Deduction** screen to save the new employee pension deduction

Add employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'

3. Click **'No'** to the message asking if you want to use the wizard

4. Enter the **Name** of the pension deduction

5. In the **Category** field select **'Display Item Only'**

6. In the **+ or -** field, select **'Deduction'**

7. In the **Type** field, select **'Percentage'**

8. In the **Range check** field, leave the default as **'None'**

9. In the **Report Group** field, leave the default as **'<None>'**

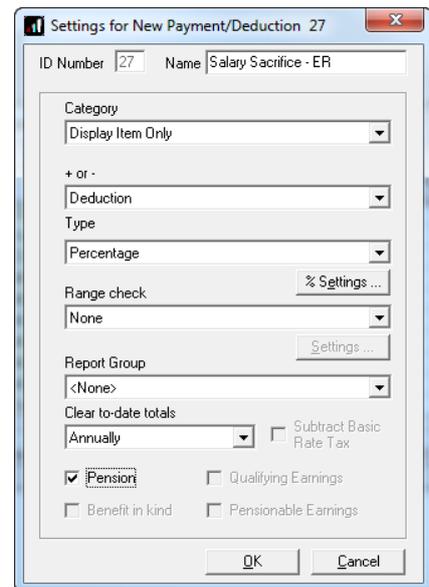
10. When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be clear along with other year to-date totals

11. Tick the **'Pension'** box

12. Click the **'% Settings'** and then tick all the pay elements you want the pension deduction to be calculated on

13. Click **'OK'** on the **Percentage calculation** screen

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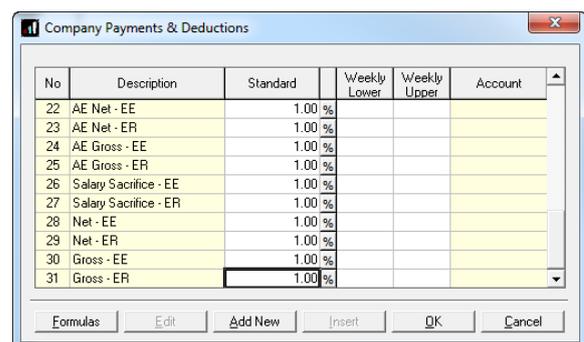


Enter default percentage for the employee and employer pension deduction:

1. Go to the **Company** menu and select **'Alter Payments / Deductions'**

2. Next to the employee pension deduction, click in the **'Standard'** field and enter the default percentage

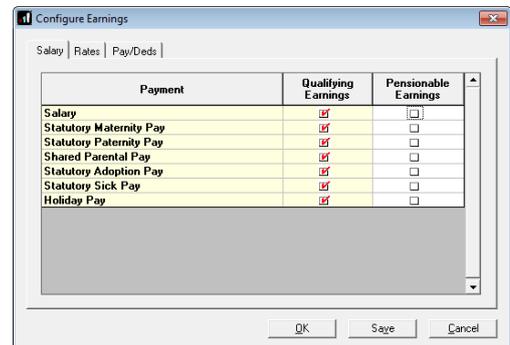
3. Next to the employer pension deduction, click in the **'Standard'** field and enter the default percentage



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29	Net - ER	1.00 %			
30	Gross - EE	1.00 %			
31	Gross - ER	1.00 %			

Configure Qualifying Earnings:

1. Go to the **Pension** menu and select '**Configure Earnings**'
2. Tick '**Qualifying Earnings**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment
3. Click '**OK**'



Net Pay Arrangement/Gross - based on Basic Pay or Total Earnings

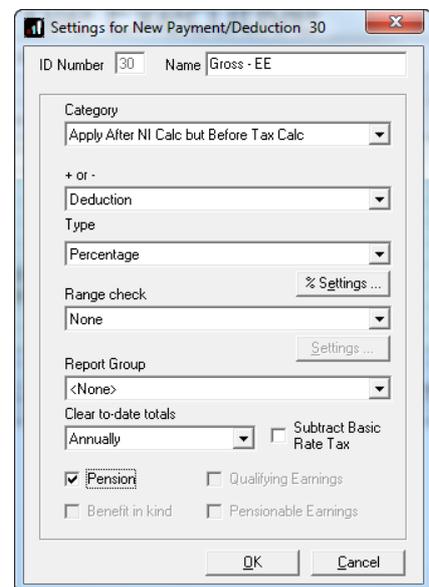
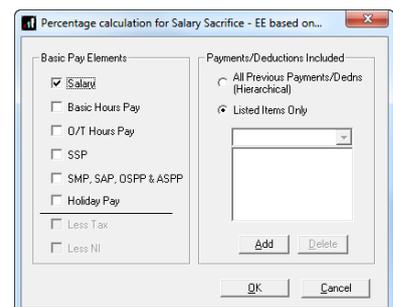
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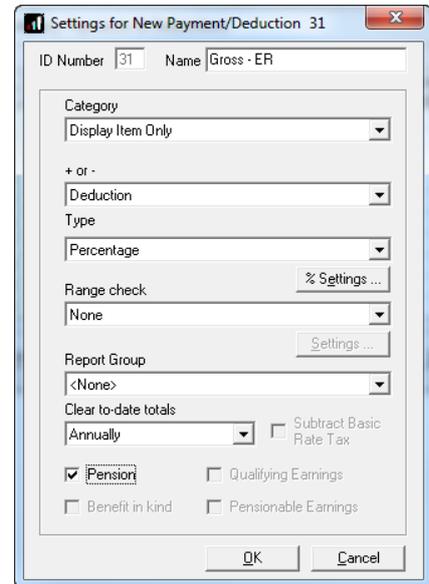
Add employee pension deduction:

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6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '<None>'
10. 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
11. Tick the '**Pension**' box
12. Leave the '**Subtract Basic Rate Tax**' box un-ticked
13. Click the '**% Settings**' and then tick all the pay elements you want the pension deduction to be calculated on
14. Click '**OK**' on the **Percentage calculation** screen
15. Click '**OK**' on the **Settings for New Payment/Deduction** screen to save the new employee pension deduction

Add employer pension deduction:

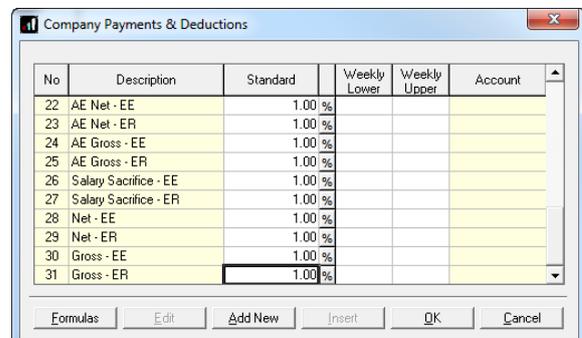
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2. Click on '**Add New**'
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4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Display Item Only**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '**<None>**'



10. 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
11. Tick the '**Pension**' box
12. Click the '**% Settings**' and then tick all the pay elements you want the pension deduction to be calculated on
13. Click '**OK**' on the **Percentage calculation** screen
14. Click '**OK**' on the **Settings for New Payment/Deduction** screen to save the new employer pension deduction

Enter default percentage for the employee and employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
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Configure Qualifying Earnings:

1. Go to the **Pension** menu and select '**Configure Earnings**'
2. Tick '**Qualifying Earnings**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment
3. Click '**OK**'

