

Standard Life – Pension Deductions

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Introduction

This guide will give you an overview of how to configure your Standard Life 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

Standard Life permit employers to calculate the pension deduction based on a percentage of Qualifying Earnings, Basic Pay, Pensionable Pay (at least 85% of Total Pay) or Total Pay; for more information click [here](#).

The tax basis of the pension deduction can be via Salary Exchange (also known as Salary Sacrifice or SMART Pension), or Deduction from after-tax 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 Exchange/Salary Exchange/SMART – based Qualifying Earnings](#)
- [Salary Exchange/Salary Sacrifice/SMART – based on Basic Pay, Pensionable Pay or Total Pay](#)
- [Deduction from after-tax earnings – based on Qualifying Earnings](#)
- [Deduction from after-tax earnings – based on Basic Pay, Pensionable Pay or Total Pay](#)

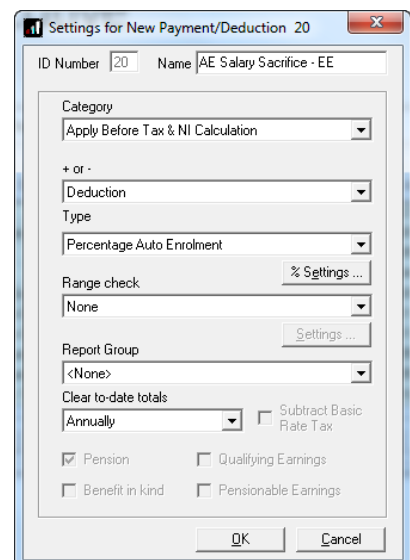
Salary Exchange, Salary Sacrifice or SMART pension - based on Qualifying Earnings

A Salary Exchange (Salary Sacrifice or SMART) 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 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

Add employee pension deduction:

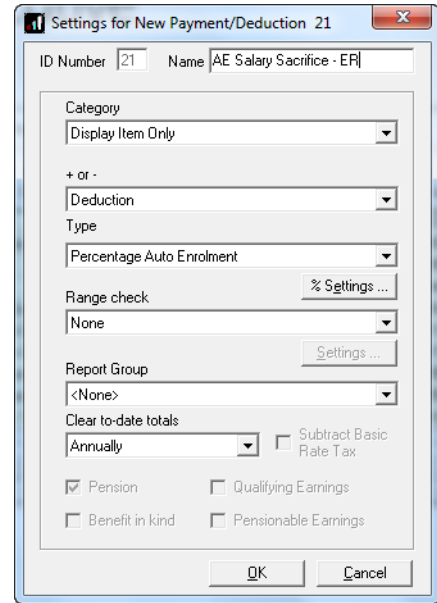
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. On the message asking if you want to use the wizard, click '**No**'
4. Enter a **Name** for the pension deduction
5. In the **Category** field, select '**Apply Before Tax & NI Calculation**'
6. In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



Add employer pension deduction:

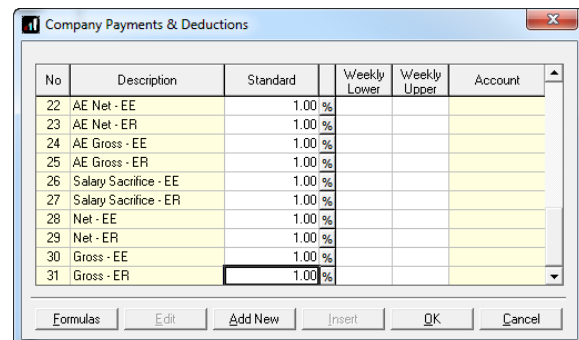
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard

4. Enter a **Name** for 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. **Range check** should be the default of '**None**'
9. **Report Group** should be the default of '<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:

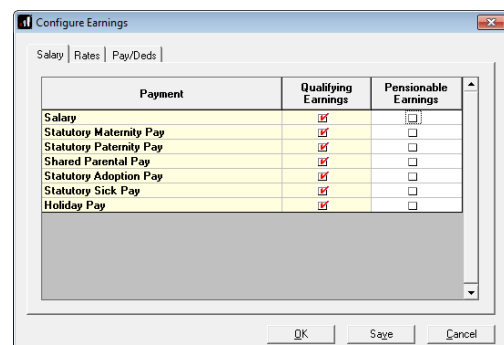
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
3. Next to the employer pension deduction, click in the '**Standard**' field and enter the default percentage



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 checked="" 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"/>

Deduction from after-tax earnings - based on Qualifying Earnings

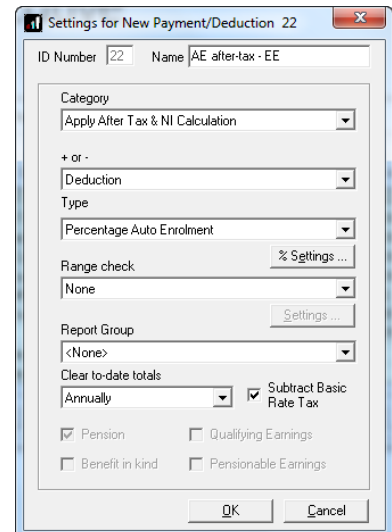
A Deduction from after-tax earnings is deducted from the employee's pay after Tax and NI is calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2014/15 the rate is 20%. Higher rate tax payers need to claim the remaining tax relief from HMRC. This method 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 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

Add employee pension deduction:

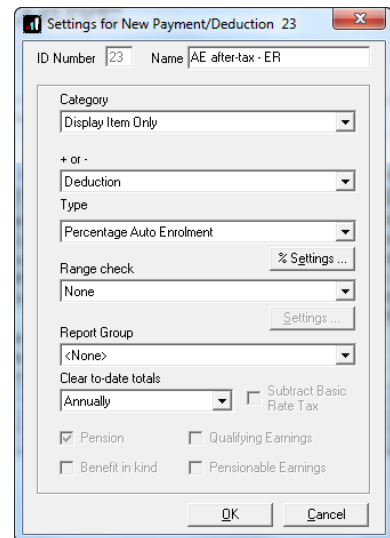
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter a **Name** for the pension deduction
5. In the **Category** field select '**Apply After Tax & NI Calculation**'
6. In the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



Add employer pension deduction:

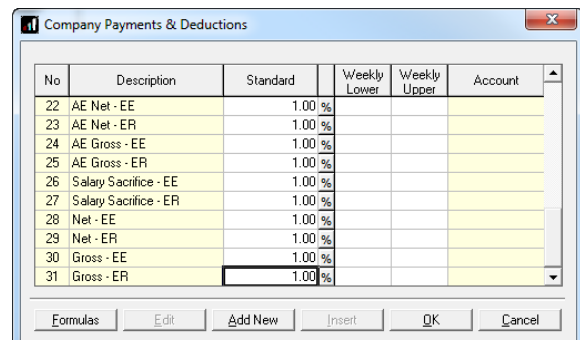
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter a **Name** for the pension deduction

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. **Range check** should be the default of '**None**'
9. **Report Group** should be the default of '<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 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

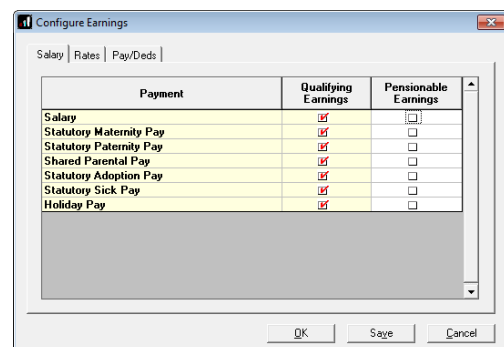


No	Description	Standard	Weekly Lower	Weekly Upper	Account
22	AE Net - EE	1.00 %			
23	AE Net - ER	1.00 %			
24	AE Gross - EE	1.00 %			
25	AE Gross - ER	1.00 %			
26	Salary Sacrifice - EE	1.00 %			
27	Salary Sacrifice - ER	1.00 %			
28	Net - EE	1.00 %			
29	Net - ER	1.00 %			
30	Gross - EE	1.00 %			
31	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 Exchange, Salary Sacrifice or SMART pension - based on Basic Pay, Pensionable Pay or Total Pay

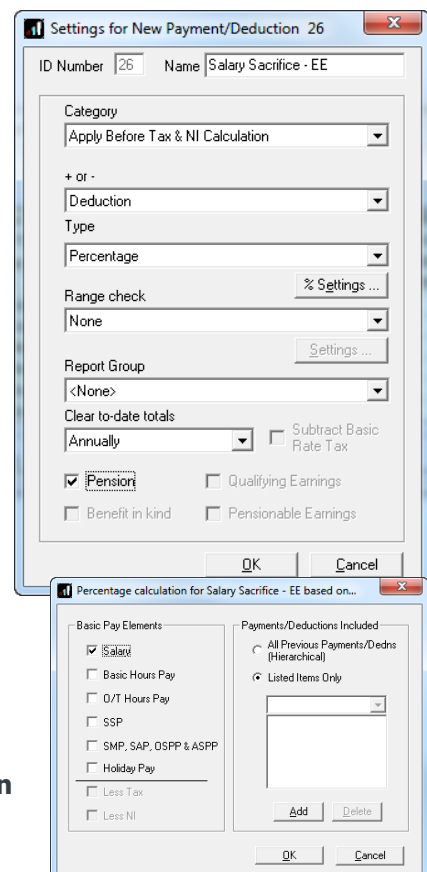
A Salary Exchange (Salary Sacrifice or SMART) pension deduction is deducted from the employee's pay before Tax and NI is calculated, which means the employee is due to pay less Tax and NI.

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

- **Basic Pay** – the gross basic wage an employee earns, for example the employee's salary. This doesn't take into account any additional pay elements, such as overtime or bonuses.
- **Pensionable Pay** – must be at least 85% of the employee's Total Pay.
- **Total Pay** – 100% of an employee's gross earnings would be pensionable. 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



The image shows two overlapping software dialog boxes. The top dialog is titled 'Settings for New Payment/Deduction 26'. It contains the following fields and options: ID Number (26), Name (Salary Sacrifice - EE), Category (Apply Before Tax & NI Calculation), + or - (Deduction), Type (Percentage), Range check (% Settings...), Report Group (<None>), Clear to-date totals (Annually), and checkboxes for Pension (checked), Qualifying Earnings, Benefit in kind, and Pensionable Earnings. The bottom dialog is titled 'Percentage calculation for Salary Sacrifice - EE based on...'. It has two sections: 'Basic Pay Elements' with checkboxes for Salary (checked), Basic Hours Pay, O/T Hours Pay, SSP, SMP, SAP, OSFP & ASPP, Holiday Pay, Less Tax, and Less NI; and 'Payments/Deductions Included' with radio buttons for 'All Previous Payments/Dedns (Hierarchical)' and 'Listed Items Only' (selected).

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**'

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

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

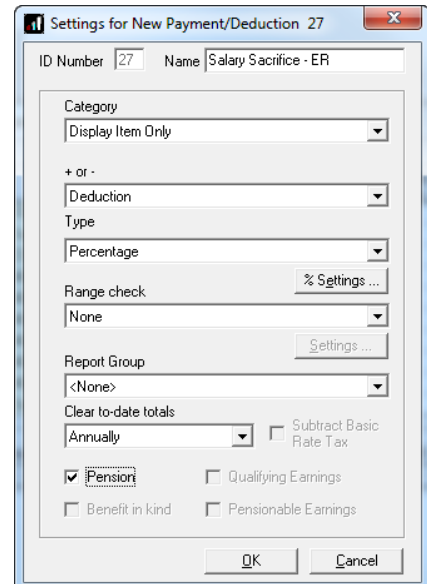
10. When **Clear Totals** field is set to '**Annually**', during **Year-end Restart** the year to-date total for this pension deduction will be clear along with other year to-date totals

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



Settings for New Payment/Deduction 27

ID Number 27 Name Salary Sacrifice - ER

Category
Display Item Only

+ or -
Deduction

Type
Percentage

Range check % Settings ...
None

Report Group Settings ...
<None>

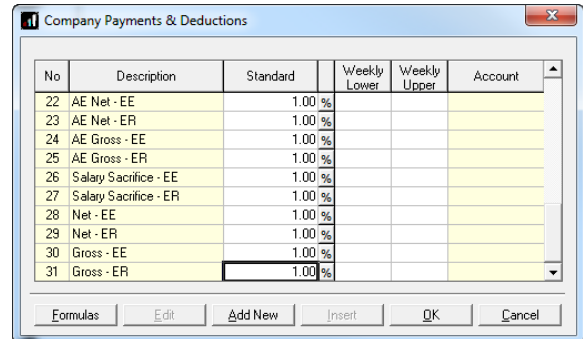
Clear to-date totals
Annually Subtract Basic Rate Tax

Pension Qualifying Earnings
 Benefit in kind Pensionable Earnings

OK Cancel

Enter default percentage for the employee and employer pension deduction:

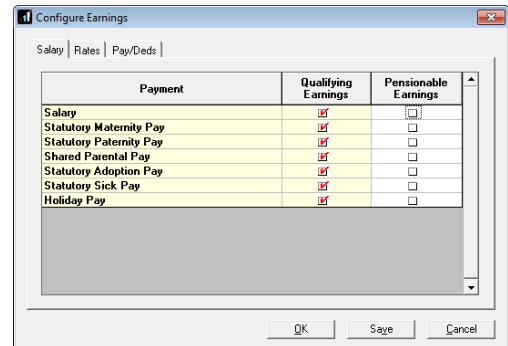
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
3. Next to the employer pension deduction, click in the '**Standard**' field and enter the default percentage



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 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**'



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"/>

Deduction from after-tax earnings - based on Basic Pay, Pensionable Pay or Total Pay

A Deduction from after-tax earnings 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 2014/15 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).

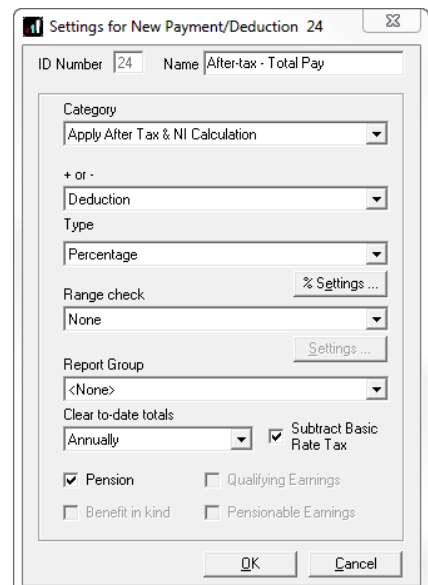
In payroll, if say the employee's pension deduction is 1%, you would enter 1% in the employee's pension deduction standard value but the actual deduction will be 0.8% from their pay.

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

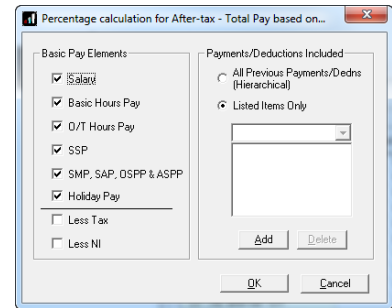
- **Basic Pay** – the gross basic wage an employee earns, for example the employee's salary. This doesn't take into account any additional pay elements, such as overtime or bonuses.
- **Pensionable Pay** – must be at least 85% of the employee's Total Pay.
- **Total Pay** – 100% of an employee's gross earnings would be pensionable. 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 After 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. Tick the '**Subtract Basic Rate Tax**' box



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

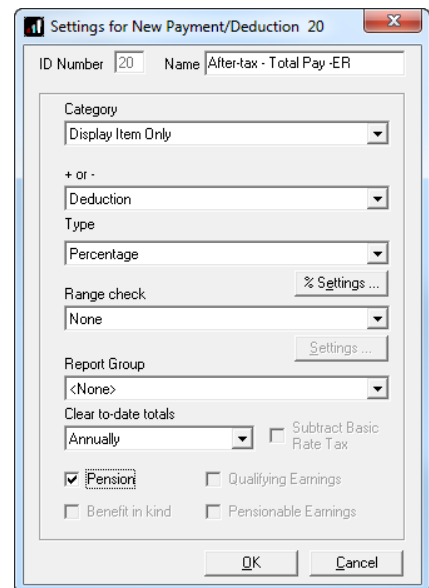


Add employer pension deduction:

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**'

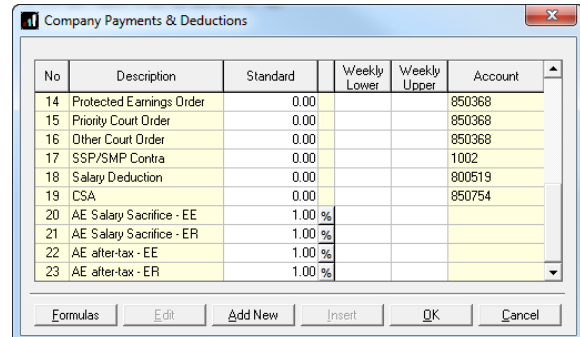
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '**<None>**'



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 percentage for the employee and employer pension deduction:

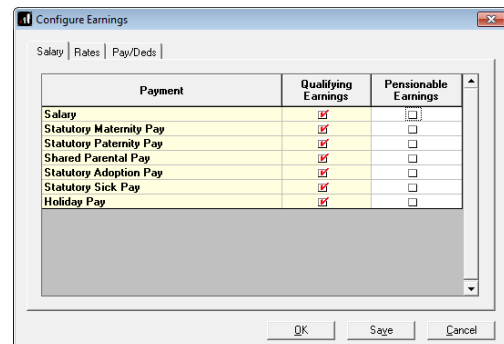
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
3. Next to the employer pension deduction, click in the '**Standard**' field and enter the default percentage



No	Description	Standard	Weekly Lower	Weekly Upper	Account
14	Protected Earnings Order	0.00			850368
15	Priority Court Order	0.00			850368
16	Other Court Order	0.00			850368
17	SSP/SMP Contra	0.00			1002
18	Salary Deduction	0.00			800519
19	CSA	0.00			850754
20	AE Salary Sacrifice - EE	1.00 %			
21	AE Salary Sacrifice - ER	1.00 %			
22	AE after-tax - EE	1.00 %			
23	AE after-tax - 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**'



Payment	Qualifying Earnings	Pensionable Earnings
Salary	<input checked="" type="checkbox"/>	<input checked="" 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"/>