Quick Guide

Workplace Pensions (Automatic Enrolment)

Abstract

This guide provides a brief overview of what Workplace Pensions are, how to provide them to your employees, and what updates you must make in QuickBooks.

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About Workplace Pensions (Automatic Enrolment)

It is mandatory by law for all employers to provide their workers with a workplace pension scheme. The scheme is called Automatic Enrolment or Workplace Pensions.

The commencement of the scheme (the staging date or duty start date) for your business depends on the number of people you have on your payroll.

If you don't already offer workers a workplace pension scheme, you must set one up before your staging date or duty start date. If you already have a workplace pension scheme, you may be able to use your existing scheme to discharge your automatic enrolment responsibilities. However, you need to check if your existing scheme qualifies. You can check it at https://www.thepensionsregulator.gov.uk/en/employers/managing-a-scheme/reviewing-a-pension-scheme-for-auto-enrolment. The qualification is based on various criteria depending on the type of fund.

Auto-enrolment and staging date or duty start date

QuickBooks supports payroll calculations and assessments for automatic enrolment. This means that the assessment is carried out when the payroll is processed. The PRP (Payroll Reference Periods) are based on tax periods. QuickBooks does not support the alternate PRP method.

The company staging date is always the 1st of the month. Because QuickBooks uses the tax period PRP, the assessment on the company staging date is carried out in the tax period during which the 1st of the month occurs.

From the 1 October 2017 any "new employer" (that is someone who is employing people for the first time) will not have a staging date issued to them but instead have a duty start date. This is the date the same as the first employee start date. The same process as staging date is followed except the date can be any date of the month

Example (Monthly)

With a staging date of 1 May, the initial assessment is on the April payroll because the tax period is from 6 April to 5 May. When you run your April payroll, you can see an Action required indicator for employees to be auto-enrolled.

You must then determine what action you are going to take. If you auto-enrol, you do not deduct any pension contributions until the next payroll run, which is May in the case of this example.

Notes:

An employee with another trigger after 5 May (for example, a person turning 22 during May) will not be included in the initial staging date assessment, but will be part of the ongoing assessment every payroll.

An employee with a mid-period trigger will be subject to the enrolment rules of the pension scheme chosen. If pro-rata pension is required, you will need to manually calculate and adjust the pension contribution accordingly. For example, an employee who turns 22 on 7 May could have to pay pension from this date, or it could be for the entire month.

Entering your staging/duty start date in QuickBooks

QuickBooks automatically takes care of the auto enrolment process when you pay your employees. However you must complete the following tasks in QuickBooks:

- Enter the staging/duty date in your company information at **Company** > **Company Information > Pension Information > Staging/ Duty Start Date**

Cyclical Re-enrolment

As part of your automatic enrolment duties, employers are required to automatically re-enrol those workers who chose to opt out (or ceased membership) after the employer's staging date or duty start date. Employers will receive a reminder from the Pensions Regulator about this duty, setting out the automatic re-enrolment window and what needs to be done. This is known as **cyclical automatic re-enrolment** and occurs every three years after the employer's staging date or duty start date.

Cyclical automatic re-enrolment means that an employer automatically re-enrols (i.e. puts back into pension savings) employees who have:

• already had an automatic enrolment date with that employer
• opted out or voluntarily ceased active membership of a qualifying scheme more than twelve months before the re-enrolment date, and
• who are eligible jobholders on the re-enrolment date. As with automatic enrolment, once re-enrolled, the jobholder has a right to opt out.

An employer may choose their automatic re-enrolment date from any date falling within a six month window, starting three months before the third anniversary of their original staging date and ending three months from that anniversary.

Example of choosing a cyclical re-enrolment date

Original Staging Date = 1 October 2016.
Cyclical re-enrolment date can be any date between 1 July 2019 and 31 December 2019.
The date does not have to be the first of the month.

More information can be found on The Pensions Website
http://www.thepensionsregulator.gov.uk/en/employers/re-enrolment

Entering your cyclical re-enrolment date in QuickBooks

QuickBooks automatically takes care of the cyclical re-enrolment process when you pay your employees. Remember if you have multiple payroll frequencies you need to choose a suitable date for all of the payroll frequencies. However you must complete the following tasks in QuickBooks:

- Enter the date you want the cyclical re-enrolment process to happen in your company information at **Company** > **Company Information**. Type the cyclical re-enrolment date in the **Tri-annual Re-enrolment date** field and click **OK**.
- When the payroll is run in which the cyclical re-enrolment date is in the employees who have opt-out or ceased membership will be re-assessed.
- If the employees are eligible during the payroll you must auto enrol them. You will not be able to use postponement.
- The employee still has the right to opt-out or cease membership

Eligibility criteria for workers

Workers who meet the following criteria are automatically eligible and you must enrol them:

- Are aged between 22 years and the State Pension age
- Who ordinarily work in the UK
- Meet the earnings criteria. You can verify the type of workers at: https://www.thepensionsregulator.gov.uk/en/employers/new-employers/im-an-employer-who-has-to-provide-a-pension/work-out-who-to-put-into-a-pension

Assessment categories of workers

There are various categories of workers against which your employees are assessed. First, the employees are assessed at the staging date or duty start date and then every time you pay them. The category that a worker falls into determines the action required in terms of correspondence, pension deduction, and employee contribution.

The following table describes the various worker categories:

Worker category	Description
Entitled worker	▪ Have a right to join ▪ Employer is not obliged to make a contribution.
Eligible Job Holders	▪ Eligible Job holders Must be auto-enrolled ▪ Employer obliged to pay the contribution
Non-eligible Job holders	▪ Have a right to opt-in ▪ Employer obliged to pay the contribution

Note: If you offer access to a stakeholder pension scheme and if the worker wants to continue with the scheme, you must carry on taking worker contributions from pay and sending them to the scheme.

The two main categories of worker for which the employer duties apply are Non-eligible jobholder and Eligible jobholder. The following table describes the categories:

Earnings	Age (inclusive)		
	16-21	22-SPA*	SPA*-74
Under lower earnings threshold	Entitled worker		
Between lower earnings threshold and earnings trigger for automatic enrolment	Non-eligible jobholder		
Over earnings trigger for automatic enrolment	Non-eligible jobholder	Eligible jobholder	Non-eligible jobholder

Note: SPA stands for State Pension Age.

Writing to your staff

You have a legal obligation to write to all your employees to inform them about auto enrolment. You must do this within six weeks from your staging date or duty start date. QuickBooks does not support any communications but you can find letter templates and additional guidance on The Pensions Regulator (TPR) website:
https://www.thepensionsregulator.gov.uk/en/employers/new-employers/im-an-employer-who-has-to-provide-a-pension/write-to-your-staff

Automatic enrolment declaration of compliance (registration)

You must complete a Declaration of Compliance (registration) with TPR within five months of your staging date or duty start date and log details of the pension schemes you are using to comply with your automatic enrolment duties. You must re-register these details every threeyears.

You can use your Government Gateway credentials to log into the TPR Web site. To register, use the 10-digit code mentioned on the TPR letter.

Please ensure you complete the Declaration of Compliance (registration) fully. Simply registering on the Government Gateway is not sufficient. For full details on completing registration, visit The Pensions regulator (TPR) Web site:

https://www.thepensionsregulator.gov.uk/en/employers/new-employers/im-an-employer-who-has-to-provide-a-pension/declare-your-compliance

Note for agents: TPR has a dedicated section for business advisors
https://www.thepensionsregulator.gov.uk/en/business-advisers
This includes information on completing the declaration of compliance on behalf of your clients
https://www.thepensionsregulator.gov.uk/en/business-advisers/automatic-enrolment-guide-for-business-advisers/10-completing-the-declaration-of-compliance

Determining qualifying earnings

Qualifying earnings are the earnings that are used to determine the category of an employee. The definition of qualifying earnings in terms of automatic enrolment includes: salary, wages, commission, bonuses, overtime, SSP, SMP, SPP, ASPP, ShPP and SAP. The earnings are assessed for the period they are paid, and not earned.

QuickBooks has already set the payroll items for Qualifying Earnings. But if you add any new payroll items you must check and set whether they are Qualifying Earnings

In some instances, you need to use 'reasonable judgement' while determining which earnings are deemed qualifying. For example, a car allowance could be either, depending on the circumstances as follows:

- Qualifying earnings - Executive who gets a car allowance as part of annual package.
- Non-qualifying earnings - Where an allowance is considered a 'tool of the trade'. For example a travel allowance paid to a Salesman who undertakes business travel using his private car.

Trigger for auto enrolment

The fact than an employee has qualifying earnings does not necessarily mean they must be auto enrolled. The qualifying earnings need to be above the trigger for auto enrolment.

Setting up pensionable earnings payroll items

Before you can make deductions and contributions for workplace pensions (automatic enrolment), you must set up pensionable earnings payroll items. QuickBooks has windows added in the payroll items wizard to help you complete this task.

Important: For employee and employer pension contribution items ensure that in the Qualified Pension Scheme window, you select the "Is the pension a qualified scheme?" check box. The check box selection determines whether the item is a pensionable item, and is a part of a qualified scheme. It also determines if the deductions and contributions on payment are displayed on the qualified pension report. If the check box is not selected, and you have an earlier pensionable item on the payment, QuickBooks indicates there are no pensionable items on the payment. You must select the check box for the old pensionable items, else you will continue to receive messages.

The following payroll items are qualified pensionable items for workplace pension (automatic enrolment) by default:

- Salary
- Commission
- Overtime
- Hourly pay

Note: If your pension scheme does not include some of these payroll items, you must remove the qualified pension item. Check with your pension provider.

To add pension earnings payroll items

This will ensure that any new payroll item you add will be included when calculating the pension contributions

1. Go to the **Lists** menu and then click **Payroll Item List**.
2. Click the **Payroll Item** button and then click **New**.
3. In the **Payroll Item Type** window, select **Addition**, then click **Next**.
4. In the **Name Used in Payroll Payment and Payroll Reports** window, type an item name for the addition. For example, *Bonus*.
   The item name appears on the employee pay slips.
5. If you need to track your employee time based on the jobs that they work on, select the **Track Expenses by Job** check box, then click **Next**.
6. In the **Payroll item is qualified pension earnings** window, select or clear **Payroll item will be included as a qualified pension earning** option then click **Next**.

Note: Select this option if the payroll item should be used for assessing employee worker status for pension automatic enrolment. When selected, the amount is included in earnings that add to the qualified earnings base. This earnings base is used to determine the worker status. Ensure that you select the Determining Qualified earnings section

7. In the **Payroll item is pensionable earnings** window, select Payroll item adds to (subtracts from) the pension earnings base, then click Next.

Note: Select this option if you want to add the earnings amount that QuickBooks uses to calculate percentage-based pension contributions. This is not the same as qualified earnings. While qualified earnings determine worker status for automatic enrolment, pensionable earnings are used for the calculation of pension. These items are the payroll items you have agreed and are used to calculate the pension contribution when setting up you pension scheme. Check with your pension provider to ensure you select the correct payroll items.

A payroll item often has either both qualified earnings and pensionable earnings selected, or neither selected, but not always. For example, overtime may not be a pensionable but is considered qualified earnings.

8. In the **Expense Account** window, select the expense account that you want to use to track your company payroll expenses, then click **Next**.
9. In the **Tax tracking type** window, select **Earnings**, then click **Next**. (Select Earnings if the payroll items is subject to tax, for example, Employee Bonus.)
10. In the **Taxes** window, select the taxes that are associated with this addition, then click **Next**. (Select the taxes if applicable that are affected by the payroll item, such as Employee Bonus, Collection of Student Loan, Income Tax & NIC's are selected.)
11. In the **Calculate Based on Quantity** window, the choices allow you to create a payroll item that is calculated by a quantity entered or by a sum total of hours from an earnings table. In this case, follow these steps:
    - Select **Calculate this item based on quantity** to have the payroll item calculated from a quantity you enter on a pay cheque.
    - Select **Calculate this item based on hours** to have the payroll item calculated from the total of regular and overtime hours worked. You may also choose to include Sick (only accrual, not SSP) and Holiday hours in the calculation. Leave this box clear to exclude all Sick and Holiday hours.
    - Select **Neither** if you do not want the payroll item to be based on a quantity you enter or on a sum total of hours worked.
12. In the **Default rate and limit** window, enter a rate and limit for this addition if applicable, then click **Finish**.

    The pension earnings payroll items are added.

To review or edit existing pension earnings payroll items

1. Go to the **Lists** menu and then click **Payroll Item List**.
2. Select the payroll item you want to review or edit.
3. Click the **Payroll Item** button and then click **Edit**.
4. Click **Next**.
5. In the **Payroll item is a qualified pension scheme earning** window, select or clear the **Payroll item will be included as a qualified pension scheme earning**, then click **Next**.

   Note: Select this check box if the payroll item should be used for assessing employee worker status for pension automatic enrolment. When selected, the amount is included in earnings that add to the qualified earnings base. This earnings base is used to determine the worker status.

6. In the **Payroll item is pensionable earnings** window, select or clear Payroll item adds to (subtracts from) the pension earnings base.

   Note: Select this check box if this payroll item should be added to the base earnings amount that QuickBooks uses to calculate percentage-based pension contributions. This is not the same as qualified earnings. While qualified earnings determine worker status for automatic enrolment, pensionable earnings are used for the calculation of pension.

7. Click **Next** and then click **Finish** to record any changes.

To add a pension contributions deduction payroll item

You must add a pension contributions deduction payroll item for both the employee contribution and the employer contribution. After you set these, you must add both to the employees who have been enrolled, opted-in or joined the pension scheme.

For employee contribution

Note: Your Pension Providers can tell you about the taxation method they use. There are 2 methods. Relief at Source means that the pension provider adds the tax relief directly to the pension pot. This means you take the pension contribution after tax has been deducted. Net Pay Arrangement means the tax relief is calculated within payroll. This means that the pension contribution is deducted before tax has been deducted (i.e. reduces the taxable pay) Check with your pension provider which method they use.

1. Go to the **Lists** menu and then click **Payroll Item List**.
2. Click the **Payroll Item** button and then click **New**.
3. In the **Payroll Item Type** window, select **Deduction**, then click **Next**.
4. In the **Name Used in Payroll Payment and Payroll Reports** window, type an item name for the addition. For example, *Employee Pension Contribution*
   The item name appears on the employee pay slips.
5. In the **Pension Contribution** select the check box, then click **Next**.
6. In the Q**ualified pension scheme,** select "**Is the pension item a qualified scheme?"** if you want the item to appear on the qualified pension report. If your pension scheme is based on the qualified

thresholds, select the **Calculate using qualifying earnings thresholds** option, then click **Next**.

Note: The qualifying earnings thresholds used for minimum qualified pension schemes. They restrict the pensionable earnings values between the lower level and the upper level of qualifying earnings. Check with your pension scheme provider to see if the thresholds should be applied

7. In the **Agency for employee-paid liability** window, enter the name of the Pension Provider in the **Enter name of agency to which liability is paid** then add a pension scheme reference under **Enter the number that identifies you to agency** and finally enter the **liability account** such as Pension Liabilities, then click **Next**.
8. In the **Expense Account** window, select the expense account that you want to use to track your company pension expenses, then click **Next**.
9. In the **Tax tracking type** window, select
   - **NONE**

   Note: As per previous note your Pension Providers can tell you about the taxation method they use. The only extra check to make is if there is a "relief at source" check whether the relief is included in the pension % deduction or added after. For example, NEST include it so for a 1% deduction you actually only deduct 0.8% and Nest at the 0.2% as tax relief. Others require you to deduct 1% and then they add the basic tax relief to the employee's pension pot. Check with your pension provider.
10. In the **Taxes window**, select one of the following:
    - Clear all check boxes for **Relief at Source** schemes, then click **Next**
    - Select **Income Tax** for **Net Pay arrangements**, then click **Next**

    Note: If the pension scheme is Net Pay Arrangement then the employee contribution reduces the taxable pay for the employee. If it is Relief at Source the employee contribution is deducted after income tax has been calculated
11. In the **Default rate and limit** window, enter the percentage value e.g. 1% for this deduction, then click **Finish**.

For the employer contribution

2. Go to the **Lists** menu and then click **Payroll Item List**.
3. Click the **Payroll Item** button and then click **New**.
4. In the **Payroll Item Type** window, select **Employer Contribution**, then click **Next**.
5. In the **Name Used in Payroll Payment and Payroll Reports** window, type an item name for the addition. For example, *Employer Pension Contribution*
   The item name appears on the employee pay slips.
6. Select the **Pension Contribution** check box, then click **Next**.
7. In the Q**ualified pension scheme,** select "**Is the pension item a qualified scheme?"** if you want the item to appear on the qualified pension report. If your pension scheme contributions are based on the qualified thresholds select the **Calculate using qualifying earnings thresholds** option, then click **Next**.

8. On the **Agency for employee-paid liability** window, enter the name of the Pension Provider in the Enter name of agency to which liability is paid field.
   - Add a pension scheme reference under Enter the number that identifies you to agency field.
   - Enter the liability account in the liability account field, such as Pension Liabilities, then click Next.
   - In the Expense Account window, select the expense account that you want to use to track your company pension expenses, then click **Next**.
9. In the **Tax tracking type** window, select **none** then click **Next**.
10. Clear all the options in the **Taxes** window.
11. In the **Calculate Based on Quantity** window, select **Neither** and then **Next**.
12. In the **Gross vs.** Net select Gross for Relief at Source and Net for the Net Pay Arrangement
13. In the **Default rate and limit** window, enter the percentage value e.g. 1% for this deduction, then click **Finish**.

Increase of minimum contributions

The minimum contributions that you and your staff pay into your automatic enrolment workplace pension scheme are increasing. This is also sometimes known as phasing. The minimum contributions are:

Dates	Employer minimum	Employee minimum	Total minimum
Until 5 April 2018	1%	1%	2%
From 6 April 2018	2%	3%	5%
From 6 April 2019	3%	5% (see note below)	8%

You and your employee can pay in more, subject to pension scheme rules.

In order to increase the contributions you need to select the payroll item (employee and employer contributions) and go through to the final step and update the percentage

Note: The only extra check to make is if there is a "relief at source" check whether the relief is included in the pension % deduction or added after. For example, NEST include it so for a 5% deduction you actually only deduct 4% and Nest will add the 1% as tax relief to meet the employees minimum 5%. Others require you to deduct 1% and then they add the basic tax relief to the employee's pension pot. This only applies to the employee contribution not the employer contribution which should be the 3% (for 2019-20).

Tasks after Obtaining Staging Date or duty start date

After you enter a staging date or duty start date in your company information (under Pension automatic enrolment staging date), your employees are automatically assessed on each payroll payment after the staging date or duty state date you have entered. The **Review and Create Payroll Payments** window summarizes all the information for the current payroll run so that you can review it before submitting information to the HMRC and creating Payroll Payments. However, if you want certain employees not to be assessed, you can configure the settings accordingly. Also, you have an option to enrol or postpone automatic enrolment during the payroll payment process.

Updates in QuickBooks

QuickBooks automatically takes care of the enrolment process when you pay your employees. However, when The Pensions Regulator provides you a staging date or you have a duty start date, you must complete the following tasks in QuickBooks:

- Enter your staging date or duty start date in your company information at **Company** > **Company Information**. Type the staging date or duty start date under **Pension Information** in the **Pensions staging /duty start date** field and click **OK**.
- Create two payroll items, for employee pension contributions and employer pension contribution at Lists > Payroll Item List.

Note: Select the **"Is the pension a qualified scheme?"** option if the pension scheme is an Auto enrolment qualified scheme

- If you have an employee who does not work in the UK, or, if you have already gone through the automatic enrolment process in an earlier version of QuickBooks or another software, update your employees' information manually as needed. Otherwise, QuickBooks automatically updates the information when you pay such employees.
- Update employee information on the new **Pension** tab of the employee's profile at **Employees > Employee Centre**.
- View details of all employees' pension assessments and take action, if required. For example, you may want to enrol or postpone the enrolment for an eligible job holder, during the payroll payment process in the new **Pension Status** column of the **Review and Create Payroll Payments** window.
- After an employee is enrolled or has opted-in or joined, ensure you add the pension item to the employee. QuickBooks does not automatically add the pension to the employee.

Note: Do not add a pension item to employees who are not eligible and who have not opted-in or joined.

- If an employee is assessed as qualified during the payroll payment assessment process but wants to opt out, or does not qualify but wants to opt in or join, make the required changes on the **Pension** tab of the employee's profile at **Employees > Employee Centre**.

Note: Detailed information and assistance is available for each of these tasks in the related Help.

Adding or changing employee status

You can review an employee's worker status and pension assessment history for workplace pension (automatic enrolment). You can also add or change an employee's status, for example an employee, who is opting in or opting out of a pension scheme. The employee's information is updated by QuickBooks each time that you make a payroll payment.

Important: If you have already gone through the automatic enrolment process in an earlier version of QuickBooks or any other software, you must edit the employee's information manually as required, otherwise QuickBooks automatically edits the information when you pay the employee but any historical data from other versions or software will have to be added manually

To add or change employee status for workplace pension (automatic enrolment)

1. Go to the **Employees** menu and click **Employee Centre**.
2. Double-click the employee's name in the list on the left or, if the employee is not yet on the list, click **New Employee**.
3. Click the **Pension** tab.
4. To view the employee's assessment history, click the **Pension Assessment History** tab.
5. To view the employee's status, click the **Worker Status** tab.
6. To add or change the employee's status, on the **Worker Status** tab, in the **Change employee status/New pension assessment section** do the following:

   a) Select to add or change the employee's worker status (Eligible Jobholder, Non-eligible Jobholder, Entitled Worker, or Worker).

   b) Select to add or change the enrolment status.

   Note: The Enrolment Status drop-down menu changes to reflect the options available based on the current worker status.

   c) For example, if the employee is an eligible jobholder and currently not enrolled, you have the option to opt in. If already enrolled, you have the option to opt out.

   d) Select the assessment date.

Note: QuickBooks uses the tax period, not the calendar month, to assess, therefore the assessment date you select must correspond to a tax period. For employees paid monthly, the tax period runs from the 6th of a month to the 5th of the next month. For employees paid weekly, the period is based on the tax week as defined by HMRC.

There is an exception if you are manually assessing employees, rather than allowing QuickBooks to do the assessments, in which case you can set the date as you need. If you have not already gone through auto enrolment, however, it is recommended you align the date with the start of a tax period because that is how QuickBooks assesses the employees.

When you have selected the assessment date, QuickBooks displays the corresponding payroll period start and end date, in the PRP Start Date and End Date fields, based on the employee's pay frequency.

e) If you chose to postpone an employee's assessment, select a deferral date.

Note: You can postpone to delay automatic enrolment for an employee up to three months. The deferral date must be after the assessment date, but not more than three months later.

You cannot change a deferral date once a payroll is completed. If you have already run a payroll with the wrong deferral date, you must delete the payroll payment to change the deferral date.

If the deferral date is before the enrolment date: On the deferral date, if the employee is an eligible jobholder, they must be enrolled with effect from the deferral date. In effect, the enrolment date falls away. If on the deferral date the employee is a non-eligible jobholder, then you must continue to identify the enrolment date, as usual.

If the deferral date is after the enrolment date: You must continue to enrol the jobholder with effect from their enrolment date. In effect, postponement for that jobholder falls away. The scheme must be in place so that enrolment can be completed within six weeks of the jobholder's enrolment date. You must then enrol the jobholder into the automatic enrolment scheme with effect from their enrolment date, by following the automatic enrolment process.

7. Click **Apply**.
8. Click **OK**.

Manual adjustments for workplace pensions (automatic enrolment)

In certain situations, you may need to make adjustments to employee assessments or do a manual assessment. The following are some example situations and details of what you need to do for those situations.

Important: Be sure to check your pension documentation carefully as there are cases where the original assessment may be incorrect and other situations where you will need to assess manually on the current paycheque.

Pension assessments for auto-enrolment in various scenarios

Employee who receives a pay raise

If, for example, an employee is paid in July too low to be auto-enrolled but under contract they receive a pay raise in July that is not paid until September. In such cases QuickBooks automatically does a reassessment.

If the pay raise increases the earnings enough to trigger auto-enrolment in July, you must do the calculation manually.

To do a manual calculation

1. Calculate what the July earnings and, if the employee qualifies for auto-enrolment, add this to the notes for the employee.
2. Do the calculation for the deduction and employer contribution to get the amounts that should have been on the July and August payments.
3. Manually adjust the automatically calculated September payroll payment for the previous months' amounts.

   Note: If, on the other hand, there is no contract in place to state that a raise is to be done in July but a percentage raise is given and made retroactive from July, then the full amount of the raise will be used to determine if the employee is auto-enrolled as of September and the deductions and employer contributions will be effective and calculated as normal on the September payment.

Employee who receives multiple payments in a single tax period

If you pay an employee a second time in a pay period, the qualified earnings amounts are combined when doing the assessment for pension enrolment, with the following results:

- If the combined qualified earnings are below the lower threshold, the employee is assessed as an entitled worker provided they are within the age limits.
- If the combined qualified earnings are over the lower threshold, the employee are assessed as a non-eligible jobholder.

- If the combined qualified earnings are over the automatic enrolment trigger, the employee are assessed as an eligible jobholder and you must either enrol or postpone the employee.

The calculations are done as follows:

- If you select pension payroll deduction and employer contribution items on the employee's payroll payments for which **Calculate using qualifying earnings thresholds** is selected, the percentage is calculated on the amounts between the lower and upper thresholds in the tax period.
- If there are multiple payments in the same tax period, the qualified earnings are combined and the percentage is taken only between those thresholds.
- If **Calculate using qualifying earnings thresholds** is not selected, the amount is calculated on the full amount of pensionable earnings.

Important: In some cases, when you pay an employee a second time in a tax period you may trigger a deduction that makes the payment negative. In this case you have several options. The employee must agree with the decision taken. You must, therefore, consult and agree with the employee on the appropriate method. The options are as follows:

- You can take only the amount of deduction that allows you to create the payment.
- You can add an amount to the payment so that the full amount of the deduction can be taken.
- You can work out an agreement where you can take amounts from further payments to make up for the difference.

Employee who becomes 22 years of age during a payroll period

If, for example, your employee turns 22 years of age on 3 May and is paid for a calendar month on the last day of the month, the employee is assessed on the April payroll because the payroll period ends on 5 May, but you cannot deduct any pension in the April payment according to employment law.

In this kind of situation, you may need to apply pro-rata in May, from the 3rd to the 31st if the pension scheme rules dictate.

The rules are different depending on which pension provider you are using. Consult your pension provider to find out whether they allow pro-rata and, if so, how much to deduct.

For auto-enrolment, all forms of statutory pay (for instance, maternity, paternity, and so on) are part of qualifying earnings. If the qualifying earnings (including the statutory pay) are sufficient to trigger auto enrolment, then the employee is auto-enrolled.

The pension scheme rules dictate the amount of the pension contribution. The scheme also states whether contributions should be maintained at the same level as before the employee took the statutory leave.

For sick leave, the level of pay and pension scheme rules dictate what pension contributions should be made.

Some basic rules governing parental leave and pay are available at The Pensions Advisory Service. However, pension scheme rules or the employment contract specifies the contributions to be made.

Usually, both the employee and employer make pension contributions, even when the employee is on paid parental leave. Several of the scheme rules are defined below:

- Defined Benefit pension scheme (DB)
  - Employee contribution is based on actual salary (for instance, parental pay)
  - Employer contribution is based on salary before parental leave was taken (the usual salary)
- Defined Contribution pension scheme (DC)
  - Employee contribution is based on actual salary (for instance, parental pay)
  - Employer contribution is based on the salary before parental leaves was taken (the usual salary)
  - If the employer uses a "matching contribution" (for example, the employer matches the employee contribution), then the employer contribution is based on the "normal/usual pay" for the period of parental leave and not actual matching
- Unpaid leave
  - Neither the employee nor the employers are expected to contribute
  - The employee can continue to contribute
  - The employer must contribute if it is in the contract of employment

Pension scheme rules specify a pensionable earning and the contribution rate applicable by the employee and employer, subject to the statutory minimum contribution rates under auto enrolment.

However, there is a potential conflict with Employment Law on maternity pay. Under Employment Law, an individual is not allowed to discriminate against an employee who is on maternity pay and leave.

Until there is case law to determine whether pension scheme rules or Employment Law rule, the conflict will remain, and it is up to the employer to decide what course of action is appropriate.

More information is available below from the following sources:

- Maternity leave - Workplace Pensions - Maternity and other parental leave
  - Employee rights when on leave - GOV.Uk

Creating a payroll item for a pension contribution which is not an AE scheme

There may be other non-Auto enrolment pension schemes applicable to your employees such as Stakeholder Pension scheme, Additional Voluntary Contributions (AVC), Free Standing Voluntary Contributions (FSAVC) or Occupational Pension Schemes. Below explains how to set-up employer and employee contributions for these types of schemes.

Note: If at any time during the process you need to return to a previous window, click **Prev**.

1. Go to the **Lists** menu and then click **Payroll Item List**.
2. Click the **Payroll Item** drop-down list and then click New.
3. In the **Payroll Item Type** window, select **Employer Contribution**, then click **Next**.
4. In the **Name Used in Pay Cheques and Payroll Reports** window, type a name for the contribution, then click **Next**. For example, **Occupational Pension Scheme**. This name will appear on the employee's pay slip.
5. In the Pension Contribution window, select Pension Contribution, then click **Next**.
6. In the **Qualified Pension Scheme** window, if the pension is a qualified scheme for workplace pensions (automatic enrolment), select the "**Is the pension a qualified scheme?"** check box.

   Important: This check box determines whether the item is a pension item that is part of a qualified scheme. It determines if the deductions and contributions on payment show on the qualified pension report. If it is not selected and you have an earlier pension item on the payment, QuickBooks indicates that there are no pension items on the payment. You must select the check box for the old pension items, else you will continue to receive messages.

7. If you want QuickBooks to calculate a percentage on all qualifying earnings between the lower and upper thresholds in the tax period, select the **Use qualifying earnings bands to determine wage base** check box.

   Important: This check box is used to determine how the item is calculated on the payroll payment. If selected, a percentage is calculated on all qualifying earnings between the lower and upper thresholds in the tax period. If the check box is clear, then the amount is the percentage of the pensionable earnings.

8. In the **Agency for Employer-Paid Liability**, type the name of the pension agency for this pension fund.
9. Type the number that identifies you to this pension agency. This is an optional step.
10. Select the liability account that you want to use to track your company's contributions.

11. Select the expense account that you want to use to track your company's expenses, and click **Next**. The **Tax Tracking Type** window appears.

Tip: It is recommended to maintain pension fund contributions in a separate account from your other company monies and to create a separate liability account within QuickBooks. You can do this "on-the-fly" using the **Payroll Items** wizard, by selecting **Add New** from the **Liability account** drop-down list.

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12. By default, the **Tax tracking type** is set to **None**. Ensure the setting and click **Next**.
13. In the Taxes window, do one of the following:

    - If it is a Stakeholder Pension Scheme type of fund, clear all the check boxes and click **Next.**
    - If it is an Additional Voluntary Contribution (AVC) type of fund, select **Income Tax** and click **Next**.
    - If it is a Free Standing Voluntary Contribution (FSAVC) type of fund, clear all the check boxes and click **Next**.
    - If it is an Occupational Pension Scheme type of fund, select **Income Tax** and click **Next**.

14. In the **Calculate Based on Quantity** window, select **Neither**, then click **Next**.
15. In the **Gross vs. Net** window, do one of the following:

    - If it is a Stakeholder Pension Scheme type of fund, select **Net Pay** and click **Next**.
    - If it is an Additional Voluntary Contribution (AVC) type of fund, select **Gross Pay** and click **Next**.
    - If it is a Free Standing Voluntary Contribution (FSAVC) type of fund, select **Net Pay** and click **Next**.
    - If it is an Occupational Pension Scheme type of fund, select **Gross Pay** and click **Next**.

Note: The **Gross vs. Net** window does not appear when you have any taxes selected in the previous **Taxes** window.

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16. In the Default rate and limit window:

    - Enter a percentage amount followed by the percentage symbol (%) for this payroll item pension contribution.
    - Enter a flat rate amount for this payroll item pension contribution.

Important: For qualified pensions, for example, if the pensionable earnings are 1000 pounds and the **Use qualifying earnings bands to determine wage base** check box is not selected, 100 pounds of pension is deducted. If selected, then the lower threshold would be taken off the 1000 pounds before calculating the 10%.

If you contribute different amounts for different employees, you can specify an amount for each individual employee by editing each employee's payroll information or enter it directly in the employee's pay cheque.

17. Click **Finish**.

Creating a payroll item for employee pension contributions

Employee pension contributions are payroll item deductions. You can set up employee contributions to a pension fund using the Payroll Item wizard. The wizard also helps you ensure that the pension payroll item is properly taxed.

Note: If at any time during the process you need to return to a previous window, click **Prev**.

1. Go to the Lists menu and then click **Payroll Item List**.
2. Click the **Payroll Item** button and then click **New**.
3. In the **Payroll item type** window, select **Deduction**, then click **Next**.
4. In the **Name used in pay cheques and payroll reports** window, type a name for the contribution, then click **Next**. For example, Stakeholder Pension Scheme. This payroll item name appears on the employee's pay slip.
5. In the **Pension Contribution** window, select **Pension Contribution**, then click **Next**.
6. In the **Qualified Pension Scheme** window, if the pension is a qualified scheme for workplace pensions (automatic enrolment), click the **Is the pension a qualified scheme?** Check box.

   Important: This check box is used to determine whether the item is a pension item that is part of a qualified scheme. It also determines if the deductions and contributions on payment are displayed on the qualified pension report. If the check box is not selected and you have an earlier pension item on the payment, QuickBooks indicates that there are no pension items on the payment. You must select the check box for the old pension items, else you will continue to receive messages.

7. If you want QuickBooks to calculate a percentage on all qualifying earnings between the lower and upper thresholds in the tax period, select the **Use qualifying earnings bands to determine wage base** check box.

   Important: This check box is used to determine how the item is calculated on the payroll payment. If it is selected, a percentage is calculated on all qualifying earnings between the lower and upper thresholds in the tax period. If not selected, the amount is a percentage of the pensionable earnings.

8. In the **Agency for Employee-Paid Liability**, type the name of the pension agency for the pension fund.
9. Type the number that identifies you to this pension agency. (Optional)

10. Select the Liability account that you want to use to track your employee's contributions, and click **Next**.

Tip: It is recommended to maintain pension fund contributions in a separate account from your other company monies and to create a separate liability account within QuickBooks. You can do this "on-the-fly" using the **Payroll Items** wizard, by selecting **Add New** from the **Liability account** drop-down list.

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11. By default, the **Tax tracking type** is set to **None**. Ensure the setting and click **Next**.
12. In the **Taxes** window, do one of the following:

    - If it is a Stakeholder Pension Scheme type of fund, select **clear all the** checkboxes and click **Next**.
    - If it is an Additional Voluntary Contribution (AVC) type of fund, select **Income Tax** and click **Next**.
    - If it is a Free Standing Voluntary Contribution (FSAVC) type of fund, select **clear all the** check boxes and click **Next**.
    - If it is an Occupational Pension Scheme type of fund, select **Income Tax** and click **Next**.

13. In the **Calculate Based on Quantity** window, select **Neither** and click **Next**.
14. In the **Gross vs. Net** window, do one of the following:

    - If it is a Stakeholder Pension Scheme type of fund, select Net Pay and click **Next.**
    - If it is an Additional Voluntary Contribution (AVC) type of fund, select Gross Pay and click **Next**.
    - If it is a Free Standing Voluntary Contribution (FSAVC) type of fund, select Net Pay and click **Next.**
    - If it is an Occupational Pension Scheme type of fund, select **Gross Pay** and click **Next**.

Note: The Gross vs. Net window does not appear when you have any taxes selected in the previous Taxes window.

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15. In the **Default rate and limit** window:

    - Enter a percentage amount followed by the percentage symbol (%) for this payroll item pension contribution.
    - Enter a flat rate amount for this payroll item pension contribution.

Important: For qualified pensions, for example, if the pensionable earnings are 1000 pounds and the Use qualifying earnings bands to determine wage base check box is not selected, 100 pounds pension is deducted. If selected, then the lower threshold is taken off the 1000 pounds before calculating the 10%.

If the amounts that the employees contribute to their pension fund vary, you can specify an amount for each individual employee by editing their payroll information.

16. Click **Finish**.

Opt out an employee from workplace pension (automatic enrolment) in a later year than deduction was made

If an employee is paid, auto-enrolled, and deductions are made in one financial year, for example in February or March of a year, and then you receive a notice for opting out from the employee in the next year, for example in April, the refund has to occur in the year the deduction was made.

You must:

- Return the deduction amount to the employee in the earlier year, the year in which the original deduction was

  To complete the payment with RTI, pay the employee in the earlier year using a positive amount in the deduction payroll item.

  Tip: If you only want the amount to be correct for the year with the Pension Regulator, you can instead enter a liability adjustment for the year and pay the employee the amount using a regular cheque rather than a payroll payment.

- Submit an FPS, on or before 19 April, or an EYU, on or after 20 April, to report the change to HMRC.

Pensions and Payroll Data Interface Standard (PAPDIS)

Pensions and Payroll Data Interface Standard (PAPDIS) is a free and open data standard created to help organizations comply with their automatic enrolment duties. It provides a single file format as a common vehicle for exchanging automatic enrolment pension data. Single file format enables more streamlined transfer of data from payroll software to pension providers and makes the administration of automatic enrolment easier.

Important: Check with your pension provider before you create your first PAPDIS export file to ensure they are set up to accept the PAPDIS format. If not, obtain details of the submission method they accept. If your pension provider is not using the PAPDIS standard, you can use the information in your PAPDIS export file to populate your pension provider's submission file.

Ask your pension provider for the identification details they require, such as Pension Provider ID, Employer ID, Group and, Sub-group. Record the information on your Company Information form.

It is recommended that you create and send a PAPDIS export file for each payroll payment. The ideal workflow is to create your payroll payment, do your RTI submission, then create your PAPDIS export file and send it to your pension provider. Therefore, as per your payroll run, weekly or monthly, you must send PAPDIS export files to your pension provider accordingly.

Note: If you do both weekly and monthly payroll runs, you can provide a single PAPDIS export file monthly, to cover each of your weekly payrolls and your monthly payroll. In any case, you must provide a PAPDIS export file to your pension provider at least once a month.

Creating PAPDIS

To create PAPDIS

1. Go to the **Employees** menu, click **Payroll Forms**, and then click **Create PAPDIS Export**. Alternately, you can access this window on the **Payroll Centre** by clicking the **Create PAPDIS Export** icon on the **File Forms** tab of the **Payroll Centre**.
2. Click the **Dates** drop-down list and specify the payroll period for which you are creating the PAPDIS export file.
3. Use the **Custom** option for a payroll period, which is not either monthly or weekly. You can also use this option to check the information for a prior tax period.
4. If you select the **Custom** option, select the **tax period** dates for the payroll payment you want the PAPDIS export file to cover in the **From and To** fields.
5. Depending on your selection, **Last Payroll Month** or **Week**, QuickBooks automatically populates relevant fields.

6. In the **Pension Provider ID** field, enter your Pension Provider ID.

   The Pension Provider ID enables pension providers to validate that they are the intended recipient of the data. Different pension providers use different names for this ID. To obtain the ID, either go to the **Company** menu and click **Company Information** or contact the pension provider.

7. In the **Employer ID** field, enter your Employer ID.

   Note: Employer ID is a mandatory information to complete your export. To obtain the ID, either go to the **Company** menu and click **Company Information** or contact your pension provider.

8. In the **Group** field, enter your Group.

   Note: Group is a mandatory information to complete your export. To obtain the Group, either go to the **Company** menu ***and*** click **Company Information** or contact your pension provider.

9. In the **Sub-group** field, enter your Sub-group if applicable.

   Your pension provider may determine that additional information is required to validate your exports. Check with your pension provider if you are not sure whether they require this further classification.

10. Click **Export**.

    QuickBooks generates a .csv file report of your export data.

11. Browse and select a location to save your file.
12. Give your file a meaningful name, and then click **Save**.

    Warning: Do not double-click the .csv file after you save it, or select to open the .csv file in Microsoft Excel. Microsoft Excel will amend the format of the data in the .csv file, preventing a successful submission. If you accidentally do this, discard the corrupted .csv file and recreate it. To recreate a file, follow all the steps.

Sending information to pension provider

After saving the .csv file, you can send the information in the file to your pension provider by any of the following methods:

- Attach the file to a **secure** email to your pension provider.
- Upload the file directly to your pension provider's site.
- Use the information in the file to populate your pension provider's information directly online.
- Use the information in the .csv file to populate your pension provider's submission file.

Note: Contact your pension provider if you are unsure of the method.