

Initial Payroll Setup

Managing and running a payroll is an important part of any business that has employees. In order for the payroll process to be as easy and simple as possible a few minutes spent setting up initial details in advance is well spent.

To successfully run a payroll some base information must exist. In summary this information is:

- ◆ Details of pay elements which are used in payrolls
- ◆ Details of pensions schemes that employees may be members of.

Pay Elements

A pay element is simply an item of remuneration or deduction which is to be included in the calculation of net pay. Where relevant, pay elements will appear as line items on an individual payslip.

Common elements are:

- Monthly Pay
- Weekly Basic
- Weekly Overtime
- Holiday Pay
- Bonuses
- Trades Union subscriptions
- Sports & Social Club subscriptions

Pay elements are usually set up once, but occasional maintenance may be necessary

Pay elements are set up via the **Configure Payroll** menu.

PAYROLL → CONFIGURE PAYROLL → GLOBAL PAY ELEMENTS

- ◆ Click on **ADD ITEM** to input data.
- ◆ Check the **Active** box for the pay element to be active. Deactivate a pay element if you do not want it to appear in pay dropdown lists.
- ◆ Enter a unique name and description in the **Element Name** field

Active ?

Element Name ?

Element Type ?

Payment Pattern ?

In PAYE Gross? ?

In NIC Gross? ?

In Pensionable Gross? ?

Account ?

#	Status	Element Name	Element Type	Payment Pattern	PAYE	NIC	Pension	Account	
1	Active	Monthly Salary	Pay	Recurring Fixed Amount	Yes	Yes	Yes	.....Directors Emoluments	Del
2	Active	Bonus	Pay	Ad Hoc Amount	Yes	Yes	Yes	.....Payroll Cost - Administration	Del
3	Active	Weekly Overtime	Pay	Recurring Variable Amount	Yes	Yes	Yes	.....Payroll Cost - Administration	Del
4	Active	Weekly Basic	Pay	Recurring Fixed Amount	Yes	Yes	Yes	.....Payroll Cost - Administration	Del
5	Active	Holiday Pay	Pay	Ad Hoc Amount	Yes	Yes	Yes	.....Employer NIC (Administration)	Del
6	Active	Mileage Claim	Pay	Recurring Variable Amount	No	No	No	.....Fixed Rate Mileage	Del
7	Active	Social Club	Deduction	Recurring Fixed Amount	No	No	No	Other Creditors	Del
8	Active	Attachment of Earnings Priority Order	Deduction	Recurring Fixed Amount	No	No	No	Other Creditors	Del

- ◆ Select the appropriate **Element Type** from the dropdown list. The most common will be either:
 - Pay - a remuneration element

- Deduction - an element of deduction from pay
- However the following statutory payments may be used:
 - SSP - Statutory Sick Pay
 - SMP - Statutory Maternity Pay
 - SPP - Statutory Paternity Pay
 - SAP - Statutory Adoption Pay
- ◆ Select the **Payment Pattern** for the pay element. A Recurring Fixed Amount will appear with the same value in each relevant pay period, until amended. A Recurring Variable Amount will appear with a blank value in each relevant pay period; enter the value on each occasion. An Ad Hoc Amount will appear only the once and will clear once a payroll run has been finalised.
- ◆ Click the **In PAYE Gross?** Check box if the pay element is to be subjected to PAYE tax deduction. Please take professional advice if you are unsure whether a pay element is subject to PAYE.
- ◆ Click the **In NIC Gross?** Check box if the pay element is to be subjected to National Insurance Charge. Please take professional advice if you are unsure whether a pay element is subject to National Insurance.
- ◆ Click the **In Pensionable Gross?** Check box if the pay element is to be included for pension scheme calculation purposes. Please take professional advice if you are unsure whether a pay element is pensionable.
- ◆ From the dropdown select an Account relevant to this pay element. The account selected will be the one that is used to record the impact of the pay element on the entity.

For most element types of Pay, the account will be an Expense Account (such as Payroll Cost - Administration), to reflect the cost of the employee to the entity.

It is likely that an element type of Deduction will mean the monies deducted from the employee are to be paid over to a third party (Trades Union, Social club etc). In this case the account selected is likely to be a Current Liability account as the money is owed to the third party and will be paid over in the future.

Element type of SSP/SMP/SPP/SAP (the statutory payments) will normally require the account to be the matching statutory payments Expense Account.

- ◆ **SAVE EDIT** confirms the entry. Further Pay elements can be entered by clicking on **ADD ITEM** on each occasion. **UNDO EDIT** cancels the current line item data. **RESET FORM** cancels the current inputs.
- ◆ **SUBMIT** confirms and stores the pay elements.

Pension Schemes

Any pension schemes which are available to employees have to set up so that any contributions to the schemes from either the employee or employer are calculated and recorded.

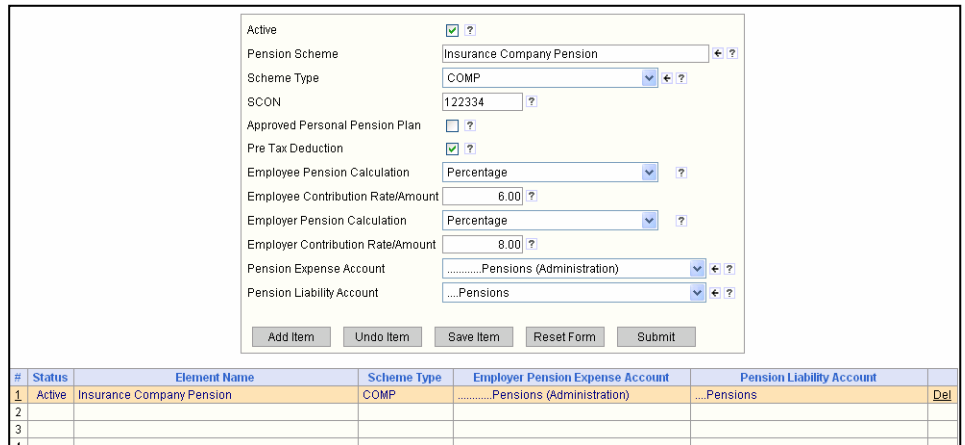
We recommend you take appropriate professional advice to fully understand the nature of the pension scheme and the obligations with respect to National Insurance Charges.

Pension Schemes are set up via the **Configure Payroll** menu.

PAYROLL → CONFIGURE PAYROLL → PENSION SCHEMES

- ◆ Click on **ADD ITEM** to input data.
- ◆ Check the **Active** box for the Scheme to be active. Deactivate a Pension Scheme if you do not want it to appear in pension dropdown lists
- ◆ Enter a unique name and description for the **Pension Scheme**.
- ◆ Select the **Scheme Type** from the dropdown list; please take appropriate advice to fully understand the nature of the scheme.
 - COMP - Contracted-out money purchase
 - COSR - Contracted-out salary related
 - Stakeholder - Stake holder pension
 - PPP - Personal Pension Plan
 - Other - Other type of scheme

- ◆ Enter the Scheme Contracted-out Number (**SCON**). This number will be on the certificate received from the Inland Revenue Audit and Pension Scheme Service (APSS) approving the right to work out and pay NICs at the contracted out rate for those employees covered by the certificate. The number is always prefixed by an “S” and then made up of 7 numbers and a final letter i.e. S9999999Y



#	Status	Element Name	Scheme Type	Employer Pension Expense Account	Pension Liability Account	Del
1	Active	Insurance Company Pension	COMP	.....Pensions (Administration)	...Pensions	
2						
3						
4						

- ◆ If the scheme is an **Approved Personal Pension Plan** click on the box.
- ◆ If the scheme contributions are eligible for tax relief then also check the **Pre Tax Deduction** box. In essence this means that the employee’s contributions are deducted from gross pay before tax liability is calculated.
- ◆ In the **Employee Pension Calculation** field choose how pension contributions by the employee will be calculated and select either Percentage or Fixed Amount. The percentage will be applied to the sum of those pay elements indicated to be included in the Pensionable Gross. The rate or amount of contribution is input into the **Employee Contribution Rate/Amount** field either as a percentage such as 6.50 or an amount such as 75.00
- ◆ In the **Employer Pension Calculation** field choose how pension contributions by the employer will be calculated and select either Percentage or Fixed Amount. The percentage will be applied to the sum of those pay elements indicated to be included in the Pensionable Gross. The rate or amount of contribution is input into the **Employer Contribution Rate/Amount** field either as a percentage such as 6.50 or an amount such as 75.00. It may be that there are no employer contributions in which case leave the fields blank.
- ◆ Select from the dropdown box the relevant **Pension Expense Account** to which any employers’ pension contribution will be charged.

- ◆ Select from the dropdown box the relevant **Pension Liability Account** to which the employees and employers (if any) pension contribution will be accumulated until paid to the pension provider.
- ◆ **SAVE EDIT** confirms the entry. Further Pension schemes can be entered by clicking on **ADD ITEM** on each occasion. **UNDO EDIT** cancels the current line item data. **RESET FORM** cancels the current inputs.
- ◆ **SUBMIT** confirms and stores the pay elements.