



Automatic Data Processing, Inc.

ADP freedom

Earnings and Deductions

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Chapter 1 – Earnings and deductions

To calculate an employee's pay, a system must determine the amount of money an employee earns and the types of deductions that will be subtracted from that amount. In ADP freedom, all the company earnings and deductions are defined first. Then, the appropriate earnings and deductions are assigned to each employee.

This chapter includes information and instructions for setting up all company earnings and deductions.

What is an earning?

An earning refers to employee payment for time worked, paid time off, or other pay such as, commissions, or bonus pay. General earnings and restricted earnings must be configured to meet the particular needs the organisation.

General earnings

General earnings are the usual payments an employee receives every pay period. After a general earning is defined for a company, it can be paid to every employee each pay period without additional configuration. If an employee is salaried, or works the same number of hours each week, they can be paid General earnings automatically without having to enter the hours or amount each pay period.

Restricted earnings

Restricted earnings are earnings in addition to General earnings, such as overtime, bonus, commission, or expense reimbursement. These types of earnings would not normally be paid at the same frequency as an employee's salary.

After restricted earnings are defined, each earning must be assigned to pay groups and to every employee who is eligible to receive it. Restricted earnings can be entered during pay data entry as **Advised Amounts**, or be set up as scheduled earnings to be paid automatically based on the **Generate Other Earnings** field at Pay Calendar level.

How earnings are calculated

Earnings are calculated by using formulae. ADP freedom is supplied with the necessary formulae and expressions required to perform all of the normal payroll calculations. Some examples of earnings and their associated formulae are shown in the table below:

Table 1 - 1 Example of earnings and their associated formulae

Earning	Formula	Expression
Regular pay	Regular hours	Quantity * Rate Example: 36 hours * £10 per hour
Sick pay	Regular pay	Quantity * Rate Example: 3 days * £50 per day
Overtime	Overtime at time and a half	Quantity * Rate * Fixed value 1 Example: 36 hours * £10 per hour * 1.5
Commission	Advised amount	Advised amount Example: £200

Earning sequence number

Each earning has a sequence number. This number determines the order in which the earning is calculated in respect to other earnings. An earning with the lowest sequence number is calculated first, followed in order, by the earnings with higher sequence numbers. The order of calculation, normally, has little or no effect on net pay, it is therefore advised to use the default sequence number, 50, for each earning.

Generate standard earnings

Generate standard earnings is a feature that allows the payment of employees automatically, each pay period, without the need to enter any additional pay data. This feature is used for employees who are paid on a salary basis, or for those employees who work the same number of hours for each pay period. The pay amount is calculated from the employee's pay rate and the company standard hours.

*NOTE: Automatic pay can only be set against one type of earning per company. That earning must have an earnings type of **General earnings**.*

How Generate standard earnings works

To pay an employee during a payrun, ADP freedom first looks for a Pay Data Entry earning with a type of **General**. If an entry is found, then the employee is paid the earning.

If an employee has an earnings type of General, then ADP freedom evaluates certain fields in an attempt to pay the earning automatically. The first fields are the **Automatic Standard earnings** on the **Earnings Definition** page and the **Automatic Standard Pay** on the **Payroll Profile** page. If either field is not checked then the General earning is not paid.

If both fields are checked, then ADP freedom looks at the **Generate Standard earnings** field on the **Maintain Pay Calendar** page and processes the earning as shown in the table below:

Table 1 - 2 Automatic standard earnings process

Maintain Pay Calendar – Automatic Standard earnings Field	
If the field is:	Then ADP Freedom
Checked	See the EE overrides – Generate General earnings Field table below
Not checked	Does not calculate automatic standard earnings for this employee. NOTE: <ul style="list-style-type: none"> • If this field is not checked, then automatic pay will not be calculated for any of the employees in the pay group • This setting can not be overridden for any employee in the pay group
EE Overrides- - Generate General earnings field	
If the field is	Then ADP Freedom
Checked	Calculates automatic standard earnings (As long as the Pay Calendar is set to pay this)
Not checked	Does not calculate automatic standard earnings for the employee.

Stopping automatic standard earnings

Any pay data entry with an earnings type of General earnings, cancels the automatic standard earnings calculation for an employee for that payrun. In addition, even if the **Earnings Definition** and **Payroll Profile** both have the **Automatic standard earnings/pay** field checked, automatic pay will still be cancelled if the indicator on either the **Maintain Pay Calendar** or **PDE Employee Overrides** page is unchecked.

Guidelines for planning company earnings

The list below provides guidelines that should be used prior to configuring the **Earnings Definitions** page. It is recommended that the list is completed in the order that it is written:

- Make a list of the types of earnings that are in use in the current payroll system
- Determine whether any of the earnings in the list apply to salaried employees, or employees who work the same hours each pay period. These earnings can be identified as **General** for automatic standard earnings
- Check the remaining types of earnings that are listed, each of the following require a unique definition:
 - Overtime
 - Paid holiday
 - Bonus
 - Commission
 - Expenses

Chapter 1 - Earnings and Deductions

- Medical insurance benefit
- User of a company car.
- Review the pre-supplied formulae for earnings to determine whether they meet the company requirements
- For each earning, determine the following:
 - Formula
 - Tax type
 - Schedule settings, for example, last payroll of the month
 - Review the remaining field descriptions for the **Earnings Definition** and **Additional Definition** pages. Note which earnings require specific settings for these fields.

The Earnings Definition page

The **Earnings Definitions** page is used to configure all company earning types.

The screenshot shows the 'Earnings Definition' page for 'Basic Pay (E1)'. The page is titled 'Company - Company Setup - Earnings - Earnings Definition'. The main heading is 'Basic Pay (E1)'. The form contains the following fields and controls:

- Code:** E1
- Description:** Basic Pay
- Effective from:** 01/07/1991
- Effective to:** dd/mm/yyyy
- Sequence:** 50
- Type:** General Earnings
- Automatic standard earnings?:**
- Taxability:** Wages or Salary
- View Taxability:** Button
- Units:** [Dropdown]
- Classification:** [Dropdown]
- Paid to employee?:**
- Preserved value?:**
- Net to Gross Controls:**
 - Net to gross earning:**
 - Show as extra amount on payslip:**
 - Payslip text for extra amount:** [Text Field]
- Formula:** Regular Pay
- Expression:** Quantity x Rate
- Annual limit:** £ [Text Field]
- Warning level:** [Text Field]
- Exclude from pension?:**
- Include in Control Book?:**

At the bottom of the page, there are four buttons: 'New Earning', 'Delete Earning', 'Cancel Changes', and 'Save Earning'.

Figure 1 - 1 Earnings Definition page

Note: If a salary sacrifice scheme is in use, a company earnings code is created automatically to maintain the employee’s salary sacrifice. This earnings code cannot be deleted. See the *Setting Up Salary Sacrifice Schemes* section on page 53.

Field descriptions – Earnings Definitions page

Table 1 - 3 Earnings Definition field descriptions

Field	Description
Code	A unique, company defined, code identifying the earning. The code can be up to ten characters, including letters, numbers, hyphens and underscores.
Description	A short description, up to 40 characters, of the earning.
Effective from	The date that the earning type starts. This date must be earlier, or the same as, the start date for this earning on an employee record.
Effective to	The date that an earning is no longer in effect. If the earning effective to date is earlier than a pay period end date, the earning will not be paid for that period. If the earning effective to date is the same, or later than a pay period end date, then the earning will be paid for that pay period.
Sequence	This number determines the priority of calculating earnings for an employee during the payrun. Normally, the default number of 50 would be selected.
Type	<p>A selection that affects how the earning is used. Earnings type can be one of the following:</p> <ul style="list-style-type: none"> • General Earnings <ul style="list-style-type: none"> ○ Can represent scheduled time worked, such as standard earnings or sick pay ○ Are available to be paid to all employees ○ Do not require assignment to each employee ○ Can be setup for automatic standard earnings • Restricted Earnings <ul style="list-style-type: none"> ○ Can represent time worked or other pay such as bonus, commission, or reimbursement of expenses incurred ○ Must be assigned to each employee ○ Cannot be setup for automatic standard earnings.
Automatic standard earnings?	<p>A check mark indicates that this earning is used for automatic pay.</p> <p>Automatic standard earnings uses standard hours and base pay rate in the employee record to calculate pay.</p> <p>NOTE: There can only be one earning selected for this feature within a company. The earning must have a type of General earning.</p>

Field	Description
Labour alloc type	<p>This drop down list provides a method of distributing the cost of the employee's earning across several departments or business units. The options are:</p> <ul style="list-style-type: none"> • Defines – The earning defines the distribution split. The defining earning is allocated to one of the following: <ul style="list-style-type: none"> ○ The cost centre associated with the employee position ○ The General Ledger (GL) business code associated with General earnings entered during pay data entry • Subject to – The earning or deduction is subject to the cost distribution in the defining earning. For example, employer costs for taxes and deductions are split as defined by the General earnings generating them • Excluded – The earning or deduction is excluded from cost distribution.
Taxability	<p>To tell the system how each earning is to be handled for tax, NI, court order & Workplace Pension Reform purposes you must select an earning taxability profile code from the taxability drop-down list.</p> <p>The earning taxability profile codes are basically templates that provide a pre-defined set of taxability rules. So for example if you select a code of Salary and Wages you know that it will be handled as taxable and subject to National Insurance i.e. it increases taxable pay & pay that is subject to National Insurance payments.</p>
View Taxability button	<p>To ensure you have selected the correct earning taxability profile code (above) click this button to display a dialogue that shows how the given code is handled for tax & NI purposes.</p>
Units	<p>Units represents hours worked. The units are can be selected from the drop down list, the options are Days, or Hours and Decimal.</p>
Classification	<p>A pre-supplied identifier that ensures the accuracy of annual reporting. Examples of classifications include:</p> <ul style="list-style-type: none"> • Expenses • Statutory sick pay <p>Classifications cannot be changed.</p>
Paid to employee?	<p>This checkbox is used to specify whether this earnings type is payable to this employee or not. . An example of an earning that is not payable to the employee may be, for example, medical insurance.</p>

Field	Description
Preserved value?	<p>This checkbox is used for any earning that is not taxable, a check mark would indicate that:</p> <ul style="list-style-type: none"> • No taxes or deductions are made against this earning • The earning is added to net but not to gross or taxable • The taxability profile for this earning must be Not Taxable/ Non Reportable. For example it may be reimbursement for travel expenses.
Net to gross controls: Net to gross earning	<p>If this control is set then ADP freedom calculates this earning as a net to gross item. The default is for the earning to be gross to net, and this box not selected. For more information on net to gross earnings, see the <i>Net to Gross</i> guide.</p>
Net to gross controls: Show as extra amount on payslip	<p>This checkbox is only enabled if the earning is identified as Net to gross earning by the checkbox above it. It defines whether the employee's payslip shows one, or two amounts.</p> <p>If the Show as extra amount on payslip is selected, the employee's payslip will have two entries for this payment, the agreed net amount and any extra payment that was required to cover tax or similar deductions.</p> <p>For example, the employee was advised that if they achieved the appropriate performance figures for the 6 months, an extra £1000 would be paid into their bank account. The Show as extra amount on payslip checkbox is selected and so the entries on the employee's payslip would be something like:</p> <p>Bonus payment £1000 Extra amount £350</p> <p>If the Show as extra amount on payslip is not selected, the employee's payslip will have one entry for this payment, the agreed net amount added together with any extra payment that was required to cover tax or similar deductions.</p> <p>Using the same example, the employee was advised that if they achieved the appropriate performance figures for the 6 months, an extra £1000 would be paid into their bank account. The Show as extra amount on payslip checkbox is not selected and so the entry on the employee's payslip would be something like:</p> <p>Bonus payment £1350</p>
Net to gross controls: Payslip text for extra amount	<p>This field is only enabled if the earning is identified as Net to gross earning, and the Show as extra amount on payslip has been selected. Once the field is enabled it becomes a mandatory field that must be completed before the earning can be saved. The text entered here will be displayed on the employee's payslip as an identifier for the extra payment that was required.</p>

Field	Description
Formula	This drop down list allows you to select the formula code that is used to calculate this earning as described in the How earnings are calculated section on Page 1 -2. When a code is selected, the description of the formula is displayed in the Formula description field.
Formula description	The description of the formula that was selected in the field above.
Annual limit	The maximum amount that can be paid for this earning to an employee during the financial year. When an employee's payments reach this limit, the payment of this earning, to this employee, stops and resumes again in the following financial year.
Warning level	This can be used to ensure that ADP Freedom warns if the employee reaches the amount specified in the warning level field in payments of this earning. If this amount is exceeded, the payrun continues to be processed but a warning is issued.
Exclude from pension?	This field is used to define whether the earning is to be used when calculating pension deductions. If populated then this earning will be classed as eligible for pension deductions. The default is false.
Include in Control Book?	The Include in Control Book flag should be set on an the earnings and deductions to ensure these payments, deductions, or employer contributions (including pending items) are treated as automatically generated for the reconciliation produced on the Payroll Control Book Review reports.

The Additional Definition page

More options for earnings are available from the **Additional Definition** page.

Company - Company Setup - Earnings - Additional Definition

Basic Pay (E1)

Payslip Controls

Separate payslip?: Print rate on payslip?:
 Print balance on payslip?: Print quantity on payslip?:

Schedule Settings

First: Fourth:
 Second: Fifth:
 Third: Last:

All regular payrolls All special payrolls:

Other Controls

Add to gross?: Add to remuneration?:
 Advance holiday payment?: Irregular payment?:
 During parental leave: For use as salary sacrifice?:
 Qualifying earning?:

Trivial commutation type: **A - Trivial lump sum (TCLS)**

Include for Holiday Pay Calculation Under

EU Working Time Directive (EU WTD):
 UK Working Time Regulations (UK WTR):

Figure 1 - 2 Additional Definition page

Field descriptions – Additional Definition page

Table 1 - 4 Additional Definition field descriptions

Field	Description
Separate Payslip?	Indicates that this earning will be processed under a separate payslip from other earnings. Typically this would be for earnings such as expenses.
Print rate on Payslip?	This checkbox is used to allow or suppress the printing of this earning rate. This is usually used in conjunction with the print quantity checkbox. For example if the earning was overtime, the Payslip could show the hours of overtime worked and at what rate the overtime was paid.
Print balance on Payslip?	If populated, this checkbox indicates that the balance of payments, of this earning to date, should be printed on the Payslip.
Print quantity on Payslip?	See Print rate on Payslip?
First to Last period (schedule)	These checkboxes indicate in which specific payroll period, in the calendar month, that this earning will be processed. For a monthly payroll then only one period would be selected but for a weekly payroll then there could be

Field	Description
settings)	<p>up to five selected. There are six indicators for company earnings to mark whether the item is to be included in the first, second, third, fourth, fifth or last period in the calendar month.</p> <p>It is not known which of the schedule settings will apply, as this is dependant on the frequency of the payroll into which the Earning is adopted. Selecting All regular payrolls, means that this item will be paid every period regardless of the payroll frequency. In contrast setting Period 2 on for instance, means that this earning will never get paid to an employee in a monthly payroll, unless of course this setting is overridden at employee level.</p>
All special payrolls	<p>If set, then this earning will be processed through a special run. A special run is defined to be a run other than the regular processing run for that period.</p>
Add to gross?	<p>This field, if set, indicates that the value for this earning should be added into the cumulative gross accumulator for this employee. It is primarily used for reporting purposes.</p> <p>This field inherits the setting associated with the taxability profile at the point that the earning is initially defined. If this field is found to be different to the profile setting then it will be taken to override the profile value.</p>
Add to remuneration?	<p>This field, if set, indicates that the value for this earning should be added into the remuneration accumulator for this employee. The remuneration accumulator is used where pension contributions are being calculated to determine whether or not employee pension contributions are running within the statutory limits.</p> <p>This field inherits the setting associated with the taxability profile at the point that the earning is initially defined. If this field is found to be different to the profile setting then it will be taken to override the profile value.</p>
Advance holiday payment?	<p>This field, if set, indicates that the earning should be included in any advanced holiday payments.</p>
Irregular payment?	<p>This field, if set, indicates that the earning should be treated as irregular for the purposes of determining what National Insurance category to be applied in the calculation of contribution for those employees who have left employment but received some payment(s) more than six weeks after having left.</p>
For use as salary sacrifice	<p>This read-only flag is ticked if this is a system generated earning linked to an Employer contribution that is used for a salary sacrifice. You cannot delete this type of earning. See Setting Up Salary Sacrifice Schemes.</p> <p>For example, a salary sacrifice scheme might be required where employees</p>

Field	Description
	can elect to sacrifice an amount of their salary and the employer pays the equivalent amount into a pension scheme for them.
Time and Expense sheets: Input to Expense sheets as:	<p>Individual earnings that are relevant to the expense sheet can be configured to be entered as either cash or as miles by selecting the relevant option from this box.</p> <p>Note: <i>Only earnings that have been given a classification of Expenses on the Earnings Definition page can be configured as Cash or Miles on this page. If an earning is not configured as Expenses then the Input to Expense sheet as box will be disabled.</i></p>
Qualifying Earning	This is set if the earnings should be included in the Qualifying Earnings value calculated for an employee. The Qualifying Earnings value is used in the Pension Reform processing as part of the criteria that determines whether an employee should be enrolled into a default pension scheme automatically.
Trivial Commutation Type	<p>A trivial commutation pension payment is a one-off lump sum payment that pays off, or is paid in place of, a small pension. There are three types of trivial commutation that can be paid:</p> <p>A - Trivial lump sum (TCLS)</p> <p>B - Other lump sum (from personal pension schemes)</p> <p>C - Other lump sum (from occupational/public service pension schemes)</p>
EU Working Time Directive (EU WTD)	Tick this option if the earning is to be included in the average weekly earnings calculation on which holiday pay is based, according to the EU Working Time Directive (EU WTD). This is used by the Calculate Holiday Pay AWE report.
UK Working Time Regulations (UK WTR)	Tick this option if the earning is to be included in the average weekly earnings calculation on which holiday pay is based, according to the UK Working Time Regulations (UK WTR). This is used by the Calculate Holiday Pay AWE report.

Setting up an earning

- From the menu list, select **Company > Company Setup > Earnings > Earnings Definition**
- From the selection pick list, click the **New Earnings Definition** button to open the **Earnings Definition** page
- Complete all the required fields and any remaining field as necessary. Refer to [Field descriptions Earnings Definition page](#) on Page 1 - 5 for information on how to complete these fields
- Click **Save Earnings**

- From the menu list, select **Company > Company Setup > Earnings > Additional Definition**
 - From the selection pick list, select the earning that is being configured
 - Complete all the required fields and any remaining field as necessary. Refer to [Field descriptions Additional Definition](#) on Page 1 - 9 for information on how to complete these fields
 - In the schedule settings area of the form, select the appropriate periods in a month to indicate when the earning can be paid
- Note: For an uncheduled earning, clear all the checkboxes and use Pay Data Entry (PDE) to pay the earning.*
- Click **Save Earning**.

Deleting an Earning

An earning can only be deleted if it has not yet been associated with an employee. This facility has been provided purely to delete an earning that has been created in error.

To delete an earning that has been created in error and has not been associated with any employee:

- Select **Company > Company Setup > Earnings > Earnings Definition**
- From the centre frame pick-list, select the earning that is to be deleted
- Click on **Delete Earning** from the foot of the earnings details page.

Pay group earnings

Some aspects of the behaviour of an earning can be configured at the employee level thereby allowing the earning to operate in a unique way for a specific employee if desired.

In addition, some attributes of an earning’s behaviour can be modified at pay group level. For example, the proration method and who is to be prorated (starters, leavers or both).

However a basic hierarchy rule exists. For an employee to receive an earning, it must be part of their pay group earnings, and for an earning to be part of a pay group’s earnings, then that earning must exist as a Company earning.

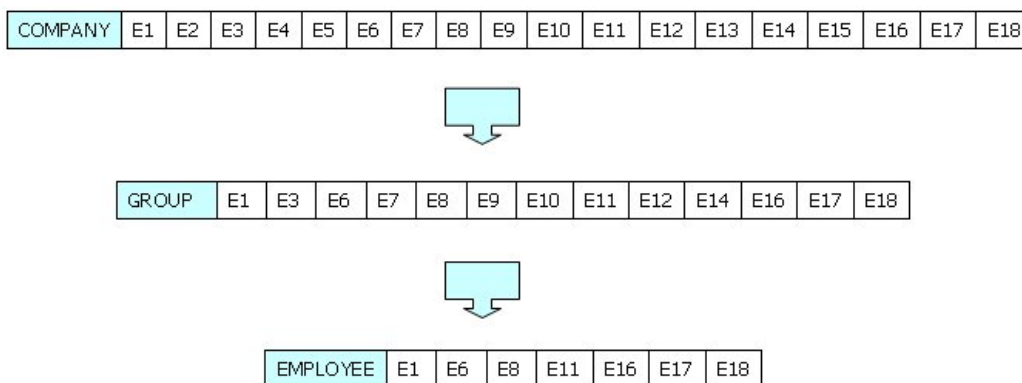


Figure 1 - 3 Earnings hierarchy

Assigning pay group earnings

The most effective way to make earnings available to a pay group is via the menu options of **Company > Company Setup > Groupings > Earnings by Pay Group**.

Company - Company Setup - Earnings - Pay Group Earnings

Basic Pays (E1)

Y/N	Pay Group Code	Description
<input checked="" type="checkbox"/>	BE1	BE1 M&L Weekly
<input checked="" type="checkbox"/>	BE3	BE3 M&L Monthly
<input checked="" type="checkbox"/>	ML3	Max and Lennies Monthly
<input checked="" type="checkbox"/>	ML1	Max and Lennies Weekly

Proration
 Applicable to:
 Rule to be applied:

Mid period rate change
 Apply mid period rate changes:
 Rule to be applied:

Backpay
 Calculate backpay?

Availability
 Disallow subsequent allocation to employees?

Time and Expense sheets
 Display in Timesheets:
 Display in Expense sheets:

Team TES
 Available for Time Entry: Unit of input:
 Available for Expenses Entry: Upper limit warning:
 Always show:

Figure 1 - 4 Earnings by Pay Group

The grid at the top of the page provides a list of earnings that exist as Company earnings for the pay group’s parent company.

Note: If there is a specific earning that you expect to see, but it is not in the list, then that earning will need to be added at company level prior to selection at pay group level.

Each earning that is to be available to the pay group should have a check-mark in the relevant **Y/N** box in the grid.

Once the range of earnings have been selected, then each individual earning can be configured to the requirements of each individual pay group by selecting options from the fields below the grid while the relevant earning is highlighted. Refer to the table below for further information.

Field descriptions – Earnings by pay group

Table 1 - 5 Earnings by pay group field descriptions

Field	Description
Select All	Rather than selecting each earning individually, you can use the Select All button to automatically assign all available earnings for use in the pay group. You could then de-select any earnings that do not apply.
Proration	
Applicable to	This refers to whom the proration rule applies, the options are: <ul style="list-style-type: none"> • Starters - Going on statutory leave. • Leavers - Returning from statutory leave. • Both. • Neither.
Rule to be applied	Pro ration rule to be associated with this earning, taken from the following options: (Annual Salary/All days in year) x Days to be paid (Annual Salary/Work days in year) x Work days to be paid (Period Salary/All days in period) x Days to be paid (Period Salary/Work days in period) x Work days to be paid.
Mid period rate change	
Apply mid period rate changes	Where mid period rate changes are allowed, employees with automatically generated earnings will receive a proportion of their basic hours paid at the old rate and a proportion at the new rate. Where mid period rate changes are not allowed, then ADP freedom will pay the employee at the new rate for the whole period. In addition to the above, Where mid period rate changes are applied, ADP freedom will make automatic payments to late starters so that a manual calculation is not required for employees with automatically generated earnings. This will apply to starters who have missed one pay period, with a start date before the start of the current pay period, who missed

Field	Description
	payment in the pay period in which they actually started.
Rule to be applied	<p>Pro ration rule to be associated with this earning, taken from the following options:</p> <p>(Annual Salary/All days in year) x Days to be paid</p> <p>(Annual Salary/Work days in year) x Work days to be paid</p> <p>(Period Salary/All days in period) x Days to be paid</p> <p>(Period Salary/Work days in period) x Work days to be paid.</p>
Backpay	
Calculate backpay	<p>This must be set for the company if backpay is to be calculated to reflect pay rate changes that have been made after the date that they actually became effective.</p> <p>If this is enabled, the system will identify any changes to pay rates that would result in backpay, and calculate the payments due as a result of these changes. These payments, once approved, are posted as PDE batches in the normal way.</p>
Availability	
Disallow subsequent allocation to employee	If an earning/deduction has been assigned to a person it cannot be deleted from pay group earnings or pay group deductions. If this checkbox is populated it disallows the earning/deduction to be attached to any other employee, in this pay group, in the future.
Time and Expense sheets	
Display in Timesheets	<p>Earnings can be configured to make them available to either the employee timesheet or to the employee expense sheet, but not to both.</p> <p>It is reasonable to assume that the timesheet would record such an earning as overtime at 1½ x basic rate, but this earning would never appear on an expense sheet. Similarly, an earning such as mileage allowance would never appear on the timesheet but would be available to the expense sheet.</p>
Display in Expense sheets	<p>Earnings can be configured to make them available to either the employee timesheet or to the employee expense sheet, but not to both.</p> <p>It is reasonable to assume that the timesheet would record such an earning as overtime at 1½ x basic rate, but this earning would never appear on an expense sheet. Similarly, an earning such as mileage allowance would never appear on the timesheet but would be available to the expense sheet.</p>

Field	Description
Team TES	
Available for time entry	<p>Earnings must be configured to make them available for Team Time and Expense Sheets (Team TES). Earnings that have a category of Expenses cannot be selected as Available for Time entry and so the check-box will be disabled and will have a grey background.</p> <p>Earnings that have an Earnings Type of Restricted can be selected as Available for Time entry but will not be displayed on an employee's Team TES sheet unless the relevant earning has also been configured for the employee on the People > Payroll Information > Earnings page.</p> <p>If an earning is de-selected and made unavailable for time entry, then this will take effect immediately and no other time entries that use this earning can be made. However, entries that have already been made using this earning will be preserved and can be updated in the normal way.</p>
Available for expense entry	<p>Earnings must be configured to make them available for Team Time and Expense Sheets (Team TES). Only earnings that have a category of Expenses can be selected as Available for Expense entry, for all other expenses the check-box will be disabled and will have a grey background.</p> <p>If an earning is de-selected and made unavailable for expense entry, then this will take effect immediately and no other expense entries that use this earning can be made. However, entries that have already been made using this earning will be preserved and can be updated in the normal way.</p>
Unit of input	<p>This field allows you to specify the unit of measure in which data will be entered.</p> <ul style="list-style-type: none"> • Cash • Hours Decimal • Hours and minutes • Units <p>Once an earning is selected as being available for either Time or Expense sheets, then a unit of input must be entered.</p> <p><i>Note:</i> Input of cash will be to two places of decimals that represent pounds and pence. Input of units will be to two places of decimals.</p>
Upper limit warning	<p>This field is optional but can be used to trigger a warning message when you are entering data if the input value exceeds this amount. The input range is from 0 to 999,999.99. The field is disabled if the earning is not available for either Time or Expense sheets.</p>

Field	Description
Always show	This indicator controls whether the earning is always displayed as part of the set of earnings within the Team TES selection list. It cannot be selected for earnings, such as statutory payment earnings (SMP, SPP etc), that would not normally be available for Time or Expense sheets.

Employee earnings

Important: You do not have to assign general earnings to an employee, because these can be paid to any employee at any time. The procedure below is referring to Restricted Earnings.

As described for pay group earnings, a basic hierarchy rule exists for earnings, see Figure 1 - 3. For an employee to receive an earning, it must be part of their pay group earnings, and for an earning to be part of a pay group’s earnings then it must exist in the pay group’s parent company list of earnings.

Assigning earnings to employees

Earnings are assigned to employees via the menu options of **People > Payroll information > Earnings**.

- From the centre frame selection list, select the business unit and an employee for which earnings are to be assigned.
- From the foot of the resulting earnings page, select **New Earning**.
- From the Earning drop down list, select the earning that is to apply for this employee.

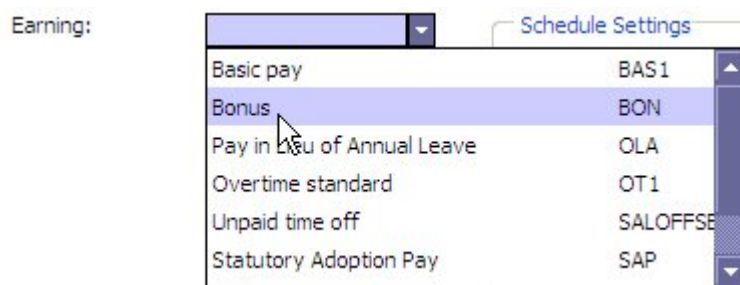


Figure 1 - 5 Select the relevant earning

Once an earning has been selected, complete the rest of the fields on the page, referring, if necessary, to the field description table below.

People - Payroll Information - Earnings
Jerry, Bart (123)

Effective From	Description	Amount	Rate	Status
25/02/2008	Bonus	£1000.00		Active
25/02/2008	Pay in Lieu of Annual L			Active

Earning:
 Formula:
 Type:
 Effective from:
 Effective to:
 Status:
 Amount: £
 Rate: £
 Quantity:
 Annual limit: £
 Table search value:

Schedule Settings
 First: Fourth:
 Second: Fifth:
 Third: Last:
 Override settings:

Special Payrun Settings
 Override schedule settings:
 Generated in special payruns:

Earnings Goals
 Goal: £
 Goal to date: £
 Goal met:

Exclude from pension:

Figure 1 - 6 Employee earnings

Field descriptions – Earnings page

Table 1 - 6 Earnings field descriptions

Field	Description
Earning	The earning that is to apply to this employee.
Formula	This is the description for the mathematical expression used to calculate the earning. This field is defined on the Rule Definition page and selected for the earning on the Earnings Definition page or the Employee Deduction page at Company level.
Type	<p>A selection that affects how the earning is used. Earnings type can be one of the following:</p> <p>General Earnings</p> <ul style="list-style-type: none"> • Can represent scheduled time worked, such as standard earnings or sick pay. • Is available to be paid to all employees. • Does not require assignment to each employee. • Can be setup for automatic standard earnings.

Field	Description								
	<p>Restricted Earnings</p> <ul style="list-style-type: none"> • Can represent time worked or other pay such as bonus, commission, or reimbursement of expenses incurred. • Cannot be setup for automatic standard earnings. 								
Effective from	<p>The date that the earning type starts for this employee. All earnings are date effective so many be entered in advance if required. Earnings are paid in a pay run if they are effective at the period end date.</p> <p><i>Note:</i> To be valid, the effective from and to dates of an Employee earnings must fall within the dates of the earnings at company level.</p>								
Effective to	<p>The date that an earning is no longer in effect. If the earning effective to date is earlier than a pay period end date, the earning will not be paid for that period. If the earning effective to date is the same, or later than a pay period end date, then the earning will be paid for that pay period.</p>								
Status	<p>The following table describes each earning status.</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="background-color: #cccccc;">Status</th> <th style="background-color: #cccccc;">Description</th> </tr> </thead> <tbody> <tr> <td>Active</td> <td>The earning can be paid. Select this setting to resume payment of the earning after it has been Inactive.</td> </tr> <tr> <td>Inactive</td> <td>The earning cannot be paid. Select this setting to suspend the payment of the earning for the employee.</td> </tr> <tr> <td>Limit Met</td> <td>The Annual Limit has been met for this employee. The earning is not paid for the remainder of the calendar year. At the beginning of the next calendar year, the Status changes to Active, and payment of the earning resumes for the employee.</td> </tr> </tbody> </table>	Status	Description	Active	The earning can be paid. Select this setting to resume payment of the earning after it has been Inactive.	Inactive	The earning cannot be paid. Select this setting to suspend the payment of the earning for the employee.	Limit Met	The Annual Limit has been met for this employee. The earning is not paid for the remainder of the calendar year. At the beginning of the next calendar year, the Status changes to Active, and payment of the earning resumes for the employee.
Status	Description								
Active	The earning can be paid. Select this setting to resume payment of the earning after it has been Inactive.								
Inactive	The earning cannot be paid. Select this setting to suspend the payment of the earning for the employee.								
Limit Met	The Annual Limit has been met for this employee. The earning is not paid for the remainder of the calendar year. At the beginning of the next calendar year, the Status changes to Active, and payment of the earning resumes for the employee.								
Amount	<p>A flat amount paid to the employee. The amount is not the same as the employee's salary. The amount is paid automatically to the employee for each scheduled pay period, unless you override it in pay data entry.</p> <p>Important: An entry in the Amount field overrides any formula calculation for the earning, whether the formula uses an advised amount or a rate.</p> <p>Note: If a default employee amount was set up for the earning on the Groupings - Earnings Plans page, and if the New Starter Assistant was used to assign the earning to the employee, the default amount is displayed in this field. You can change the default, if necessary.</p> <p>If you change the amount while a payrun is being processed, the payrun must be calculated again.</p> <p>Restriction: The Amount field is not available if there is an entry in the Rate field.</p>								

Field	Description
<p>Rate</p>	<p>The Rate field is not available if there is an entry in the Amount field.</p> <p>Description: The rate used in the formula to calculate the earning for the employee. If a default employee rate was set up for the selected earning on the Groupings - Earnings Plans page, and if the New Starter Assistant was used to assign the earning to the employee, the default rate is displayed here.</p> <p>You can change the default rate, if necessary. If you change the rate while a payrun is being processed, the payrun must be calculated again.</p> <p>This field is not used if the formula for the earning does not use a rate, or if there is a rate override for the earning in PDE.</p> <p>Impact: If the formula for the earning uses a rate, the rate is used during the pay run to calculate the earning for the employee.</p> <p>Important: The rate displayed in the Rate field is not the base rate displayed on the Pay Rates page. An entry in the Rate field is an hourly rate that overrides the employee's base rate, if the selected earning uses the regular pay formula.</p>
<p>Quantity</p>	<p>If the earning is based on, for instance, hours worked at a specific rate, then the Quantity is entered here.</p> <p>For example, if an employee regularly does six hours overtime, the earning would be Overtime and the Quantity would be 6 and the rate may be £25, indicating that this employee would receive an overtime payment of £150 each time that this earning was scheduled in a payrun.</p> <p>Note: If there is an entry in the Amount field, then the Rate and Quantity fields will be greyed out and disabled.</p>
<p>Annual limit</p>	<p>The maximum earning amount that can be paid for the calendar year. If an annual limit is set up as a default for the earning on the Earnings definition page, the default is displayed in this field. You can change the default, if necessary.</p> <p>Impact: When an employee's year-to-date earning amount reaches the annual limit, the earning stops for that employee for the rest of the calendar year.</p>
<p>Table search value</p>	<p>This field can be used in conjunction with the formula that the earning is based on. If the formula includes an instruction to search a formula lookup table within the database to find a specified value, then that search value is entered here.</p>
<p>Schedule settings</p>	<p>The weekly pay periods that are available to schedule the payment of an earning to an employee. The periods available for selection depend on the employee's pay group frequency.</p>

Field	Description
	<p>When you first assign an earning to an employee, the schedule settings will default to the settings on the Earnings Definition page. You can change the default settings, if necessary.</p> <p>Impact: A check mark indicates each pay period in the month that the earning will be paid. For example, if only the first checkbox is selected, the earning will only be paid in the first pay period of the month.</p> <p>Note: You can override a scheduled earning in pay data entry</p>
Override settings	<p>This checkbox can be used to override company level settings. For instance if company level settings decreed that a particular earning should be paid in the second period of the calendar month, then all those employees paid monthly would never receive that earning, as they are only paid once during a calendar month.</p> <p>If the box was previously selected and now the earning is to adopt company level settings then simply uncheck the box. ADP Freedom will issue the warning that this earning is about to adopt company level settings. Click Yes to accept the new settings.</p> <p>For these employees, this checkbox could be set and the First period checkbox selected to ensure that these employees receive the earning in their pay.</p>
Override schedule settings	<p>This checkbox allows you to control whether the company level settings for special payruns are to be overridden at employee level. When adding a new employee earning, the schedule settings will default to those held at the company level settings.</p>
Goal	<p>The maximum amount that can be paid for the earning for the employee. The amount of the earning will be accumulated each pay period, into the next calendar year, if necessary, until the goal is met. For example, an employee has a moving allowance that is payable up to a goal of £3000.</p>
Goal to date	<p>The accumulated amount for an earning, which is updated automatically each pay period when the payrun is committed.</p> <p>Impact: When the goal to date amount equals the goal, the earning stops for the employee.</p>
Goal met	<p>System maintained. A check mark indicates that the goal is met, because the goal to date amount equals the goal amount.</p>
Exclude from pension	<p>This field is used to define whether the earning is to be used when calculating pension deductions. If populated then this earning will be classed as eligible for pension deductions. The default is false.</p>

Deductions

What is a deduction?

A deduction is a voluntary, or agreed, amount or percentage withheld from an employee's pay. Deductions do not include taxes or court orders, but are usually associated with a benefit or service provided by a company.

Calculating deductions

Deductions, like earnings, are calculated using formulae. ADP freedom contains pre-supplied formulae and expressions for various deduction calculations. Some common examples of deductions and their associated formulae are listed in the following table.

Table 1 - 7 Examples of deductions and their associated formula

Deduction	Formula	Expression
Personal pension contribution	Advised amount	Advised amount Example: £75:00
Personal pension contribution	Percentage of employee's earnings	Earnings for this deduction * rate Example: £800 * 0.05

Understanding deductions

Certain deductions affect the way that ADP freedom makes its calculations. Refer to the terms below to help understand how they affect the computation and taxability.

Deduction Type – General/Restricted

General deductions are those that apply to many employees. After a general deduction is defined for a company, deduction amounts for these can be entered against any employee. This means that a value can be entered against an employee using PDE for a general deduction, without it first needing to be assigned to the employee.

Restricted deductions are those that would not normally apply to the majority of employees. Each restricted deduction must be assigned to pay groups and to every employee to whom it applies.

Deduction type – Pre or Post Tax

This deduction type can be either **post-tax** or **pre-tax**. Most deductions, such as medical or dental deductions, are post-tax, meaning that they are taken after taxes are calculated and deducted. Other deductions, such as some pension plans, are pre-tax deductions. They are calculated before taxes are taken, and result in a tax benefit to the employee.

Taxability profile

The taxability profile determines how the deduction affects taxable wages for the employee. When a taxability profile is selected, the deduction is subject to the necessary taxation rules for the individual tax types.

To view the taxability profile for a deduction, select **System > System lookups > Deduction taxability profile**.

NOTE: Pre-tax deductions must have a taxability profile.

Linked deductions

A linked deduction is an employer matching contribution or payment based on an employee deduction, such as a pensions match. Whenever the employee deduction is taken, the employer contribution is also calculated.

NOTE: Linked deductions do not apply to manual payments.

Arrears processing

If, during a payrun, there is not enough money left in the employee’s net pay to cover a scheduled deduction, the deduction can go into arrears. This ensures that net pay never becomes negative. Arrears processing can be used to specify how to handle deductions in arrears. See [here](#) for more details.

Deduction sequence number

The sequence number determines when the deduction is taken with respect to other deductions. A deduction with the lowest sequence number is taken first, followed by the other deductions having higher sequence numbers, in that order. The default sequence number for deductions is 50. However, to ensure that a given deduction is taken before others, the sequence number for each deduction can be changed accordingly.

Table 1 - 8 Examples of defaulted sequence numbers

Deduction	Amount	Sequence
Medical	£40	50
Dental	£25	50
Union subs	£15	50

If the employee only earns £60 for the pay period, there will not be enough net pay to cover all three deductions. Furthermore, there is no way to predict which deductions go into arrears without sequence numbers. Sequence numbers can be assigned as follows:

Table 1 - 9 Examples of managed sequence numbers

Deduction	Amount	Sequence
Medical	£40	55
Dental	£25	50
Union subs	£15	45

These sequence numbers ensure that the union subscriptions are taken first, followed by the dental deduction, then the medical deduction. In this example, the union subscription and the dental deduction are covered in full, but the medical deduction will go into arrears.

NOTE: Any number can be used for a sequence number, but gaps should be left between the numbers for future deductions (for example, 45, 50, and 55).

Summary of pension deductions

Employees Main Scheme Contribution

This is associated more generally with any type of scheme. The contribution is based as a percentage upon a defined set of **Eligible Earnings** which form the basis of the calculation.

Employer's Top-up payment

This is optional, and essentially as its name implies makes good any contributions that an employee would normally make, but due to unusual circumstances the employee is unable to make their full contribution. For example where an employee is in receipt of say Statutory Maternity Pay, the employee continues to pay contributions on the maternity pay, but the employer 'tops up' the employee contributions to the usual level. Whilst this contribution is made on behalf of the employee, it is not classed as an employee contribution when, for example, performing the occupational maximum check.

For this type of deduction to be made, there must also be an Employee's main scheme contribution deduction for the top up to apply.

Employee's AVC

An employee can make Additional Voluntary Contributions, to an occupational scheme. Indeed the employee may make many, but these will be all flat percentage rates or fixed amounts, rather than being based upon table rates.

Employee Deduction Definition

The **Employee Deduction** page is used to configure all company employee deduction types and is accessed via the ADP Freedom main menu:

- **Company > Company Setup > Deductions > Employee Deduction**

Company - Company Setup - Deductions - Employee Deduction

Pension Scheme Employee (PE16)

Code:

Description:

Effective from: Effective to:

Taxability: [View Taxability](#)

Classification:

Sequence:

Type:

Formula:

Expression:

Separate payslip:

Print balance on payslip:

Include in Control Book?:

Arrears

Arrears type:

Partial:

Employee deduction defaults

Amount: £ Percentage:

Annual limit: £

Payee:

BACS Consolidation:

Consolidate payments: Reference data:

Linked deduction:

Schedule settings

First: Fourth: Generate in special payruns:

Second: Fifth: Deduct from holiday pay:

Third: Last: During SMP, SAP, SPP leave:

[All regular payrolls](#)

Pension settings

Apply basic rate:

Pension scheme:

Figure 1 - 7 Employee Deduction page

Field descriptions – Employee Deductions page

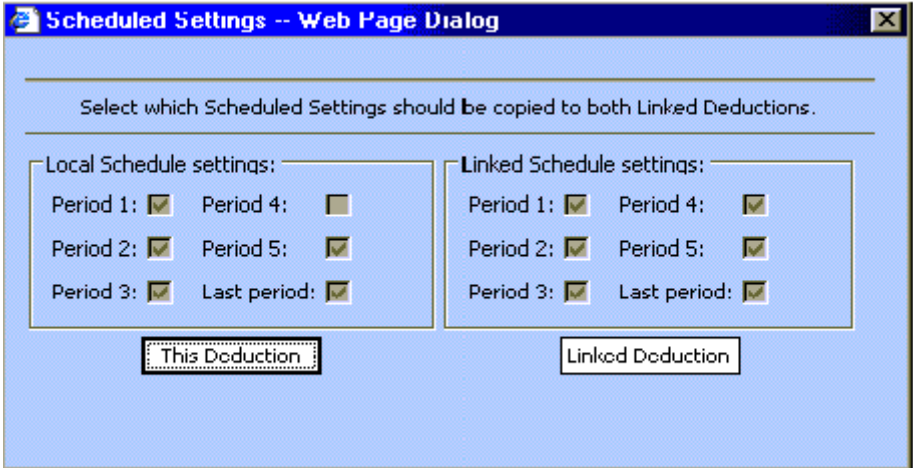
Table 1 - 10 Employee Deductions field descriptions

Field	Description
Code	A unique, company defined, code identifying the deduction. The code can be up to ten characters, including letters, numbers, hyphens and underscores.
Description	A short description, up to 40 characters, of the deduction.
Effective from	The date that the deduction type starts for this employee.
Effective to	The date that a deduction is no longer in effect. If the deduction end date is earlier than a pay period end date, the deduction will not be made for that period. If the deduction end date is the same, or later than a pay period end date, then the deduction will be made for that pay period.
Taxability	<p>To tell the system how each deduction is to be handled for tax, NI & court order purposes you must select a deduction taxability profile code via the taxability drop-down list.</p> <p>The deduction taxability profile codes are basically templates that provide a pre-defined set of taxability rules. So for example if you select a code of Approved pension you know that it will be handled as pre tax & pre NI, i.e. it reduces taxable pay & National Insurance payable income.</p>
View Taxability button	To ensure have selected the correct earning taxability profile code (above) you can click this button to display a dialogue that shows how the given code is handled for tax & NI purposes.
Classification	<p>ADP Freedom needs to be able to recognise certain types of deduction for reporting purposes and to determine the processes used when calculating the deduction. The drop down list provides pre-defined deduction classification codes to do this.</p> <p>If you know the deduction you created falls into one of these classifications you need to select the appropriate one. Failure to do so may result in the deduction being incorrectly reported and possibly incorrectly calculated.</p> <p>Deduction classification codes include:</p> <ul style="list-style-type: none"> • Main scheme contribution (see below this table for a summary) • Employer's top up payment (Employer pension contribution top up) (see below this table for a summary) • Employees AVC (see below this table for a summary) • Give As You Earn • Cash shortage/stock deficiency

Field	Description
	<ul style="list-style-type: none"> • Expense float. • Benefit • Savings • Unapproved share scheme
Sequence	This number determines the priority of calculating deduction for an employee during the payrun. See Deduction sequence number on Page 1 - 23 for a full description of sequence numbers.
Type	<p>A selection that affects how the deduction is used within freedom. This can be one of the following:</p> <p>General Deduction - these can apply to all employees and do not need to be assigned to each employee</p> <p>Restricted Deduction – these must be assigned to an employee using the People > Payroll Information > Deductions & ER Contrib page before a deduction amount can be entered against an employee e.g. using PDE.</p>
Formula	The name of the formula that calculates the deduction. Each deduction must be attached to a formula. It is the formula that actually calculates the deduction amount in a payrun. If the deduction is linked to a formula which is based upon eligible earnings (typically used where the deduction is of a percentage type) then you need to have defined the eligible earnings.
Expression	How the named formula is calculated. For example: Eligible earnings * percentage.
Separate payslip	This shows whether the deduction is to be taken from the separate payslip. In ADP Freedom only expenses can be paid via a separate payslip. There are certain deductions which are allowed to reduce these expense payments (for example, an expenses advance).
Print balance on payslip	<p>This field acts as a default setting for the employee level deduction. The options are:</p> <ul style="list-style-type: none"> • Print balance - then the goal balance will be printed on payslip. • Print Goal – then the goal amount will printed. • Print neither – Then the payslip will not display any goal details.
Include in Control Book?	The Include in Control Book flag should be set on an the earnings and deductions to ensure these payments, deductions, or employer contributions (including pending items) are treated as automatically generated for the reconciliation produced on the Payroll Control Book Review reports.
Arrears type	When defining a deduction it is necessary to say how payrun processing

Field	Description														
	<p>should cope with the situation where there is insufficient employee net pay to cover the calculated amount of the deduction in full. There are two fields that control this scenario: the Arrears type & the Partial indicator. Both can be overridden at employee deduction level where necessary. They work as follows:</p> <p>Arrears Type - There are 6 methods of handling arrears. These are defined below. You must select one of these types when creating the deduction. They define what payrun processing should do with any shortfall between the calculated amount and the available net amount. Options 5 and 6 are more likely to be used at the employee level only once the deduction has been running a while. Options 1 to 4 are the normal ones used when the deduction is first created:</p> <table border="1" data-bbox="464 719 1423 1854"> <thead> <tr> <th data-bbox="464 719 767 786">Arrears type</th> <th data-bbox="767 719 1423 786">Result</th> </tr> </thead> <tbody> <tr> <td data-bbox="464 786 767 891">1 - Don't Create Arrears</td> <td data-bbox="767 786 1423 891">Any shortfall is ignored. It is not added to the employee outstanding arrears balance.</td> </tr> <tr> <td data-bbox="464 891 767 1070">2 - Create Arrears & recover in full</td> <td data-bbox="767 891 1423 1070">Shortfall is placed in employee outstanding arrears balance and then each payrun ADP Freedom attempts to recover the whole of that balance.</td> </tr> <tr> <td data-bbox="464 1070 767 1249">3 - Create Arrears & recover to a limit</td> <td data-bbox="767 1070 1423 1249">Shortfall is placed in employee outstanding arrears balance and then each payrun ADP Freedom attempts to recover a user-specified amount from the balance</td> </tr> <tr> <td data-bbox="464 1249 767 1429">4 - Create Arrears but never recover them</td> <td data-bbox="767 1249 1423 1429">Shortfall is placed in employee outstanding arrears balance but ADP Freedom never attempts to recover any of it. The arrears balance just keeps growing</td> </tr> <tr> <td data-bbox="464 1429 767 1675">5 - Don't create additional arrears but recover balance in full</td> <td data-bbox="767 1429 1423 1675">Any shortfall is not placed in the employee outstanding arrears balance but if there is a balance (i.e. from previous payruns where the deduction may have had a different arrears type code) then ADP Freedom attempts to recover the whole of that balance.</td> </tr> <tr> <td data-bbox="464 1675 767 1854">6 - Don't create additional arrears but recover balance to a limit</td> <td data-bbox="767 1675 1423 1854">Any shortfall is not placed in the employee outstanding arrears balance but if there is a balance then ADP Freedom will attempt to recover a user-specified amount from that balance</td> </tr> </tbody> </table>	Arrears type	Result	1 - Don't Create Arrears	Any shortfall is ignored. It is not added to the employee outstanding arrears balance.	2 - Create Arrears & recover in full	Shortfall is placed in employee outstanding arrears balance and then each payrun ADP Freedom attempts to recover the whole of that balance.	3 - Create Arrears & recover to a limit	Shortfall is placed in employee outstanding arrears balance and then each payrun ADP Freedom attempts to recover a user-specified amount from the balance	4 - Create Arrears but never recover them	Shortfall is placed in employee outstanding arrears balance but ADP Freedom never attempts to recover any of it. The arrears balance just keeps growing	5 - Don't create additional arrears but recover balance in full	Any shortfall is not placed in the employee outstanding arrears balance but if there is a balance (i.e. from previous payruns where the deduction may have had a different arrears type code) then ADP Freedom attempts to recover the whole of that balance.	6 - Don't create additional arrears but recover balance to a limit	Any shortfall is not placed in the employee outstanding arrears balance but if there is a balance then ADP Freedom will attempt to recover a user-specified amount from that balance
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6 - Don't create additional arrears but recover balance to a limit	Any shortfall is not placed in the employee outstanding arrears balance but if there is a balance then ADP Freedom will attempt to recover a user-specified amount from that balance														
Partial	<p>This indicates whether the deduction can accept a partial deduction. For example if available net is £100 and the deduction amount is £150 and this partial indicator is set on then we will deduct £100 for the deduction. If the indicator is set off we will deduct nothing for the deduction, as it</p>														

Field	Description
	<p>will only accept £150.</p> <p>It is important to note that these 2 fields (Arrears Type and Partial indicator) work separately. Regardless of the setting of the partial indicator you can still decide to create/not create arrears</p>
Employee deduction defaults: Amount	<p>You can supply either a deduction amount or a deduction percentage or none of these. If they supply a deduction amount, then any employee assigned this deduction will inherit the default value as their starting point (this value can be amended at employee level if required).</p> <p>It is valid to have neither a deduction amount nor a deduction percentage present on the deduction. This would occur where amounts/percentage were truly employee specific and no global amount/rate could be defined and as such would need to be defined individually at the employee deduction level.</p> <p>The deduction amount field can be set to a negative value, this means the amount will be refunded to the employee in the gross to net process.</p>
Employee deduction defaults: Percentage	<p>You can supply either a deduction amount or a deduction percentage or none of these.</p> <p>It is valid to have neither a deduction amount nor a deduction percentage present on the deduction. This would occur where amounts/percentage were truly employee specific and no global amount/rate could be defined and as such would need to be defined individually at the employee deduction level.</p> <p>The deduction percentage must be in range 0 –100 otherwise ADP Freedom will issue an error message.</p>
Annual limit	<p>This limit is based on the tax year so if there is a global limit per tax year for a given deduction, you can set it here. It can be overridden at employee deduction level.</p>
Payee	<p>If the amounts deducted have to be paid over to a third party (for example Pension deductions will have to be paid to the pension provider) then you need to select the payee from the Payee lookup.</p>
Consolidate payments	<p>This checkbox controls whether payments to third parties for the given Deduction are to be amalgamated into one consolidated payment on the BACS file. If the box is unchecked then each payment will appear as a separate transaction on the BACS file. If the box is checked then they will be consolidated into one transaction.</p>
Reference data	<p>This field is used for recording reference information relating to the BACS payment. All BACS payments to a third party (i.e. not going to a unique bank account) need to have the ability to quote a reference number so that the third party can recognise who the payment is for.</p>
Linked	<p>The concept of linked deductions allows you to link an employee</p>

Field	Description
<p>deduction</p>	<p>deduction to an employer deduction, ensuring that they are treated as partner deductions, i.e. whenever deduction A is processed its partner, deduction B, will also be processed.</p> <p>Linked deductions are not to be used for pension type deductions so if the classification code is equal to either Main Scheme Contribution, Employer's top up payment or Employees AVC the linked deduction field is disabled.</p> <p>Linking is a two-way affair; if deduction A is linked to B then B is linked to A. When a link is specified on deduction A it should be reflected through to deduction B. A deduction can only be linked to another deduction in the same company. A deduction cannot be linked to more than one other deduction.</p> <p>The Linked Deduction dropdown displays all deductions of the opposite type (i.e. if this is an employee deduction ADP Freedom only displays employer deductions and vice versa) that are not already linked to another deduction.</p> <p>When linking deductions it is necessary to ensure that they both have the same schedule settings (see below).</p>  <p>The screenshot shows a dialog box titled "Scheduled Settings -- Web Page Dialog" with a close button. Below the title bar, it says "Select which Scheduled Settings should be copied to both Linked Deductions." There are two main sections: "Local Schedule settings:" and "Linked Schedule settings:". Each section has five rows of checkboxes for "Period 1:", "Period 2:", "Period 3:", "Period 4:", "Period 5:", and "Last period:". In the "Local" section, Period 4 is unchecked, while all others are checked. In the "Linked" section, all checkboxes are checked. Below these sections are two buttons: "This Deduction" and "Linked Deduction".</p> <p>This will ensure they get processed in same payruns so once a link has been made it will be necessary to compare the two deductions schedule settings. If these are different then ADP Freedom issues a message asking you to select the schedule that should apply.</p>
<p>Schedule settings Period First to Last Period</p>	<p>These checkboxes indicate in which specific payroll period, in the calendar month, that this deduction will be processed. For a monthly payroll then only one period would be selected but for a weekly payroll then there could be up to five selected. There are six indicators for deductions to mark whether the item is to be included in the first, second, third, fourth, fifth or last period in the calendar month.</p> <p>It is not known which of the schedule settings will apply, as this is</p>

Field	Description
	<p>dependant on the frequency of the payroll into which the deduction is adopted.</p> <p>Selecting All regular payrolls, means that this item will be paid every period regardless of the payroll frequency. In contrast setting Period 2 on, for instance, means that this deduction will never get paid to an employee in a monthly payroll, unless of course this setting is overridden at employee level.</p>
Generate in special payruns	This field sets the default action for the deduction when running special payruns. If the box is checked then the deduction will be included special payruns, unless overridden at employee level.
Deduct from holiday pay	This field is checked if this deduction is still to be taken from advanced holiday payments. This box may be de-selected for deductions such as canteen contributions.
During SMP, SAP, SPP leave	This field, if set, indicates that the deduction should be included, as with any statutory parental payments, that are made during parental leave.
Pension settings: Apply basic rate	This is an indicator that shows whether or not basic rate of tax is to be deducted from this deduction. This is kept at deduction level rather than at pension scheme level as it allows finer control over specific deductions.
Pension settings: Pension scheme	The pension scheme that this deduction is paid into. This is a lookup table that only shows active pension schemes. Active is defined as pension scheme end date is either greater than today or has been left blank.

Assigning pay group deductions

The basic hierarchy rule that exists for earnings, also exists for deductions. For an employee to have a deduction, it must be part of their pay group deductions, and for a deduction to be part of a pay group’s deductions, that deduction must exist as a Company deduction. See the *Pay group earnings* section on page 1-12 for further information.

The most effective way to make deductions available to a pay group is via the menu options of **Company > Company Setup > Groupings > Deductions by Pay Group**.

Figure 1 - 8 Deductions by Pay Group

The grid at the top of the page provides a list of deductions that exist as Company deductions for the pay group’s parent company.

Note: If there is a specific earning that you expect to see, but is not in the list then that earning will need to be added at company level prior to selection at pay group level.

Each earning that is to be available to the pay group should have a check-mark in the relevant **Y/N** box in the grid.

Once the range of deductions have been selected, then each individual earning can be configured to the requirements of each individual pay group by selecting options from the fields below the grid while the relevant earning is highlighted. Refer to the table below for further information.

Field descriptions – Deductions by pay group

Table 1 - 11 Deductions by pay group field descriptions

Field	Description
Select All	Rather than selecting each earning individually, use of the Select All button, automatically assigns all available deductions for use in the pay group. You could then de-select any deductions that do not apply.
Proration	

Field	Description
Applicable to	This refers to whom the proration rule applies, the options are: <ul style="list-style-type: none"> • Starters - Going on statutory leave. • Leavers - Returning from statutory leave. • Both. • Neither.
Rule to be applied	Pro ration rule to be associated with this earning, taken from the following options: <ul style="list-style-type: none"> • (Annual Salary/All days in year) x Days to be paid • (Annual Salary/Work days in year) x Work days to be paid • (Period Salary/All days in period) x Days to be paid • (Period Salary/Work days in period) x Work days to be paid.
Availability	
Disallow subsequent allocation to employee	If a deduction has been assigned to a person it cannot be deleted from pay group deductions. If this checkbox is populated it disallows the deduction to be attached to any other employee, in this pay group, in the future.

Setting up an employee deduction

- From the menu list, select **Company > Company Setup > Deductions > Employee Deduction**
- From the selection pick list, select either an existing deduction to edit, or **New Employee Deduction** to open a blank **Deduction Definition** page
- Complete all required fields and any remaining fields as necessary, refer to the [Employee deductions](#) table on Page 1 - 26 for information on how to complete the fields on this page.
- Click **Save Deduction**.

*NOTE: Whenever a percentage-based deduction is defined, the earnings that the percentage is based on, also needs to be identified. This is done via the **Eligible Earnings** page.*

If a newly defined deduction is to be based on a percentage, the earnings that the percentage is based on must be identified. Follow the procedure described at [Selecting eligible earnings](#) on Page 1 - 39.

The Employer Contribution page

Employer contributions are set up in the same way as Employee deductions. The pages are very similar and are completed in the same way. Employer contributions are used for such things as:

- pension scheme contributions where the employer pays an amount into the fund on behalf of the employee
- salary sacrifice schemes where the employer provides a benefit to the employee to the same value as an amount of salary the employee has given up. See [Setting Up Salary Sacrifice Schemes](#).

The **Employer Contribution** page is used to define each different employer contribution and is accessed via the ADP Freedom main menu:

- **Company > Company Setup > Deductions > Employer Contribution**

Company - Company Setup - Deductions - Employer Contribution

Pension Scheme Employer (PR12)

Code:

Description:

Effective from: Effective to:

For use as salary sacrifice?:

Classification:

Type:

Formula:

Expression:

Include in Control Book?:

Employee deduction defaults

Amount: £ Percentage:

Annual limit: £

Payee:

BACS Consolidation:

Consolidate payments: Reference data:

Salary Sacrifice Earning:

Linked deduction:

Schedule settings

First: Fourth: Generate in special payruns:

Second: Fifth: Deduct from holiday pay:

Third: Last: Show on payslip?

Print balance on payslip:

During SMP, SAP, SPP leave:

Maintain deduction:

Maintain contributions on normal contractual pay:

Pension settings

Pension scheme:

Figure 1 - 9 Employer contribution page

Field descriptions – Employer contribution page

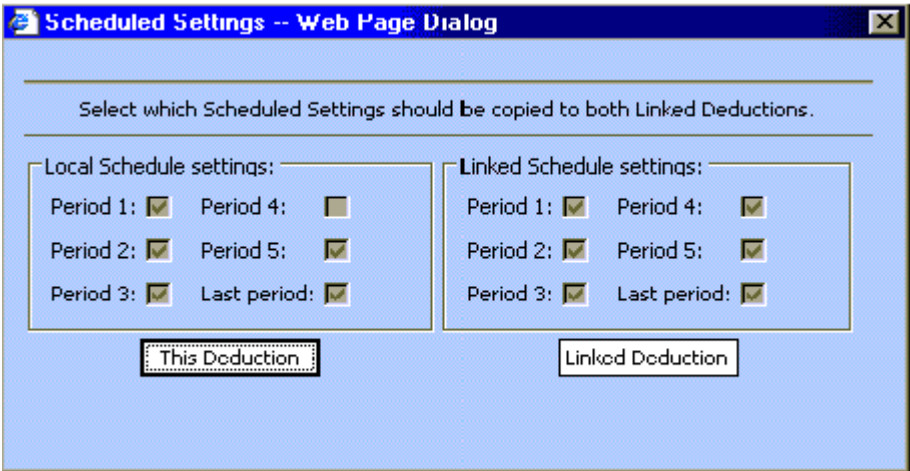
Table 1 - 12 Employer contribution field descriptions

Field	Description
-------	-------------

Field	Description
Code	A unique, company defined, code identifying the deduction. The code can be up to ten characters, including letters, numbers, hyphens and underscores.
Description	A short description, up to 40 characters, of the deduction.
Effective from	The date that the deduction type starts. This date must be earlier, or the same as, the start date for this deduction on an employee record.
Effective to	The date that a deduction is no longer in effect. If the deduction end date is earlier than a pay period end date, the deduction will not be paid for that period. If the deduction end date is the same, or later than a pay period end date, then the deduction will be made for that pay period.
For use as salary sacrifice?	This is used to indicate that the Employer contribution is to be used for a salary sacrifice. A corresponding employee earning will be generated and linked to this deduction automatically. See Setting Up Salary Sacrifice Schemes .
Classification	<p>ADP Freedom needs to be able to recognise certain types of deduction for statutory reporting purposes. The drop down list provides pre-defined deduction classification codes to do this.</p> <p>If you know the deduction you are creating falls into one of these classifications you need to select the appropriate one. Failure to do so will result in the deduction being incorrectly reported.</p> <p>Deduction classification codes include:</p> <ul style="list-style-type: none"> • Benefit • Employer's top up payment • Main scheme contribution • Give As You Earn • Cash shortage/stock deficiency • Expense float • Savings • Unapproved share scheme
Type	<p>A selection that affects how the deduction is used within freedom. This can be one of the following:</p> <p>General Deduction - these can apply to all employees and do not need to be assigned to each employee</p> <p>Restricted Deduction – these must be assigned to an employee using the People > Payroll Information > Deductions & ER Contrib page before a deduction amount can be entered against an employee e.g. using PDE.</p>

Field	Description
Formula	<p>The name of the formula that calculates the deduction. Each deduction must be attached to a formula. It is the formula that actually calculates the deduction amount in a pay-run. If the deduction is linked to a formula that is based upon eligible earnings (typically used where the deduction is of a percentage type) then you need to have defined the eligible earnings.</p> <p>If the deduction classification code is equal to either Main Scheme Contribution, Employer's Top up Payment then that deduction can only be linked to a formula that uses the 'Pension eligible earnings * rate' expression.</p>
Expression	<p>How the named formula is calculated. For example: Eligible earnings * percentage.</p>
Include in Control Book?	<p>The Include in Control Book flag should be set on an the earnings and deductions to ensure these payments, deductions, or employer contributions (including pending items) are treated as automatically generated for the reconciliation produced on the Payroll Control Book Review reports.</p>
Employee deduction defaults: Amount	<p>You can supply either a deduction amount or a deduction percentage or none of these.</p> <p>If they supply a deduction amount, then any employee assigned this deduction will inherit the default value as their starting point (this value can be amended at employee level if required).</p> <p>It is valid to have neither a deduction amount nor a deduction percentage present on the deduction. This would occur where amounts/percentage were truly employee specific and no global amount/rate could be defined and as such would need to be defined individually at the employee deduction level.</p> <p>The deduction amount field can be set to a negative value, this means the amount will be refunded to the employee in the gross to net process.</p>
Employee deduction defaults: Percentage	<p>You can supply either a deduction amount or a deduction percentage or none of these. It is valid to have neither a deduction amount nor a deduction percentage present on the deduction. This would occur where amounts/percentage were truly employee specific and no global amount/rate could be defined and as such would need to be defined individually at the employee deduction level.</p> <p>The deduction percentage must be in range 0 –100 otherwise ADP Freedom will issue an error message.</p>
Annual limit	<p>This limit is based on the tax year so if there is a global limit per tax year for a given deduction, the you can set it here. It can be overridden at employee deduction level.</p>
Payee	<p>If the amounts deducted have to be paid over to a third party (for example Pension deductions will have to be paid to the pension provider) then you</p>

Field	Description
	need to select the payee from the Payee lookup .
Consolidate payments	This checkbox controls whether payments to third parties for the given deduction are to be amalgamated into one consolidated payment on the BACS file. If the box is unchecked then each payment will appear as a separate transaction on the BACS file. If the box is checked then they will be consolidated into one transaction.
Reference data	This field is used for recording reference information relating to the BACS payment. All BACS payments to a third party (i.e. not going to a unique bank account) need to have the ability to quote a reference number so that the third party can recognise who the payment is for.
Salary sacrifice earning	This is the name of the earning that has been automatically generated and linked to the Employer's contribution being used for a salary sacrifice scheme. The earning is used to reduce the employee's salary by the amount of the salary sacrifice. See Setting Up Salary Sacrifice Schemes .
Linked deduction	<p>The concept of linked deductions allows you to link an employee deduction to an employer deduction, ensuring that they are treated as partner deductions, that is to say that whenever deduction A is processed its partner, deduction B, will also be processed.</p> <p>Linked deductions are not to be used for pension type deductions so if the classification code is equal to either Main Scheme Contribution, Employer's Top up Payment then the linked deduction field is disabled.</p> <p>Linking is a two-way affair; if deduction A is linked to B then B is linked to A. When a link is specified on deduction A it should be reflected through to deduction B. A deduction can only be linked to another deduction in the same company. A deduction cannot be linked to more than one other deduction.</p> <p>The Linked Deduction dropdown displays all deductions of the opposite type (i.e. if this is an employee deduction ADP freedom only displays employer deductions and vice versa) that are not already linked to another deduction.</p> <p>When linking deductions it is necessary to ensure that they both have the same schedule settings (see below).</p>

Field	Description
	 <p>This will ensure they get processed in same payruns so once a link has been made it will be necessary to compare the two deductions schedule settings. If these are different then ADP freedom issues a message asking you to select the schedule that should apply.</p>
Schedule settings	
Period 1 to Last Period	<p>These checkboxes indicate in which specific payroll period, in the calendar month, that this deduction will be processed. For a monthly payroll then only one period would be selected but for a weekly payroll then there could be up to five selected. There are six indicators for deductions to mark whether the item is to be included in the first, second, third, fourth, fifth or last period in the calendar month.</p> <p>As it is not known which of the schedule settings will apply as this is dependant on the frequency of the payroll into which the deduction is adopted. Selecting All regular payrolls, means that this item will be paid every period regardless of the payroll frequency. In contrast setting Period 2 on, for instance, means that this deduction will never get paid to an employee in a monthly payroll, unless of course this setting is overridden at employee level.</p>
Generate in Special payruns	<p>If selected, then this deduction will be taken in special payruns.</p>
Deduct from holiday pay	<p>This field is checked if this deduction is still to be taken from advanced holiday payments. This box may be de-selected for deductions such as canteen contributions.</p>
Show on payslip	<p>Although employer contributions do not affect employee take home pay and there is no requirement to show them on the payslip, some employers may like to display them on payslips so employees can see what contributions the employer is making on their behalf.</p>

Field	Description
Print balance on payslip	The options are: <ul style="list-style-type: none"> • Print balance - then the goal balance will be printed on payslip. • Print Goal – then the goal amount will printed. • Print neither – Then the payslip will not display any goal details.
During SMP, SAP, SPP Leave	
Maintain Deduction	This field, if set, indicates that the deduction should be maintained at its usual level during parental leave. For example, where the amount is calculated as a percentage of regular earnings, if this option is set you do not need to change the contribution to a fixed amount during the parental leave to continue the deduction at the normal amount.
Maintain contributions on normal contractual pay	This field, if set, indicates that the employer’s pension contributions during an employee’s statutory parental leave, should be maintained at their normal level i.e. they should be calculated from the employee’s normal contractual pay not based on the employee’s earnings during their leave period.
Pension scheme	The pension scheme that this deduction is paid into. This is a lookup table that only shows active pension schemes. Active is defined as pension scheme end date is either greater than today or has been left blank.

Setting up employer contributions

- From the menu list, select **Company > Company Setup > Deductions > Employer contribution**
- From the selection pick list, select **New Employer Contribution** to open a blank Employer contribution page
- Complete all required fields and any remaining fields as necessary, refer to the [Employer contributions](#) table on Page 1 - 34 for information on how to complete the fields on this page
- Click **Save Deduction**.

*NOTE: Whenever a percentage-based deduction is defined, the earnings on which the percentage is based also need to be identified. This is done via the **Eligible Earnings** page.*

If the newly defined contribution (deduction) is to be based on a percentage, the following procedure must be completed.

Selecting eligible earnings for a percentage based contribution

- From the menu list, select **Company > Company Setup > Deductions > Eligible Earnings**

- From the selection pick list, select the newly created contribution
- In the earnings window, ensure that each earning that is to be included in the calculation for this contribution has the associated checkbox ticked.
- Click **Save Earning**

If this contribution is to be linked to an Employee deduction, carry out the procedure [Setting up linked deductions](#) on Page 1 - 40.

Setting up linked deductions

Linked deductions are used to link an employee deduction to an employer deduction, ensuring that they are treated as partner deductions, that is to say that whenever deduction A is processed its partner, deduction B, will also be processed. To configure a linked deduction, follow the procedure below:

Note: This procedure assumes that the employee deduction that is being matched is a percentage deduction defined with eligible earnings. To configure eligible earnings for a deduction follow the procedure [Selecting eligible earnings](#) on Page 1 - 39.

- From the menu list, select **Company > Company Setup > Deductions > Employer Contributions**
- From the selection pick list, click the **New Employer Contribution** button to open the **Employer Contribution** page
- Complete all the required fields, and any remaining fields as necessary. If help is required on a particular field, refer to [Field descriptions – Employer contributions](#) page on Page 1 - 34.
- In the **Linked Deduction** field, select the employee deduction to which this contribution is being linked
- Click **Save Deduction**.

Verifying the Eligible Earnings

- From the menu list, select **Company > Company Setup > Deductions > Eligible Earnings**
- At the bottom of the page, click the **Filter** button
- Under **Choose a Filter**, select **Eligible Earnings > Employer**
- In the Selection pick list, select the employer deduction and verify that the eligible earnings are correct.
- If not correct, select each eligible earning for the employer deduction.
- Click **Save Earning**.

Company - Company Setup - Deductions - Eligible Earnings
Employer Contribution 62 (NEC110662)

Earnings

Check the eligible earnings for this deduction:

Y/N	Earnings Code:	Description:
<input type="checkbox"/>	SSPOFF	Offset to SSP Payment
<input type="checkbox"/>	SSP	SSP
<input type="checkbox"/>	SSPWO	SSP with Offset amount
<input type="checkbox"/>	SAP	Statutory Adoption Pay

Copy

Previous Earning Next Earning Cancel Changes Save Earning

Figure 1 - 10 Eligible Earnings page

Deleting a deduction

In some cases, it may be necessary to delete a deduction, for instance, one created in error. ADP Freedom will allow the deletion of any deduction that hasn't been assigned to an employee or committed in a payrun. Follow the procedure below to delete a deduction:

- From the menu list, select **Company > Company Setup > Deductions > Employee Deduction**
- From the selection pick list, select the deduction to delete
- At the bottom of the page, click **Delete Deduction**
- In the **Confirm Delete** window, click **Yes**.

Assigning deductions to employees

Important: You do not have to assign *general* employee or employer deductions to an employee, because these can be deducted from any employee at any time. The procedure below is referring to assigning restricted deductions.

Note: An employee can only be assigned a deduction that has been included in their payroll profile pay group. The deductions drop-down list will only provide a list of available deductions relevant to this employee.

In order for a restricted deduction to be taken, it must be assigned to each employee eligible for it. A deduction can be assigned to an employee either by importing the deductions for all employees, or assigning the deduction to individual employees on the **People > Payroll Information > Deductions and ER Contrib** page.

People - Payroll Information - Deduction & ER Contrib
, (EE004)

Effective From	Description	Amount	Percentage	Status	Type
11/10/1991	Sports and Social	£1.10		Active	Employee
11/10/1991	Union	£5.00		Active	Employee

Deduction:

Formula:

Effective from:

Effective to:

EE authorised:

Status:

Sequence:

Amount: £

Percentage:

Annual limit: £

Deduct partial amt:

Print balance on payslip:

Payment reference:

Table search value:

Arrears type:

Net to Gross Controls
 Employer pays: Employee pays:

Leaver Controls
 Recover balance from leaver:

Schedule Settings:
 First Fourth
 Second Fifth
 Third Last
 Override settings:

Special Payrun Settings:
 Override schedule settings:
 Generate in special payruns:

Deduction Goals:
 Goal: £
 Goal to date:
 Goal met:

Deduction Arrears:
 Arrears amt: £
 Max. limit: £

Figure 1 - 11 Deductions and Employer contributions page

Earnings plans

Instead of applying each individual earning to every new employee, a company can setup earnings plans that group common earnings together. These earnings groups, or plans, can then be assigned, as appropriate, to each new employee through the **New Starter Assistant**. This method simplifies and accelerates the hiring process.

NOTE: While earnings can be assigned to an employee through earnings plans, the relevant earning must also be included in the pay group that the employee belongs. Pay group takes precedence, therefore any earnings that have been awarded through an earnings plan but do not exist in the employees pay group, will not be received.

*For example, earnings plan B is assigned to John Simmons who belongs to pay group **Weekly**. Earnings plan B consists of ‘Car Allowance’ and ‘London Weighting’. Car*

Allowance exists in **Weekly** pay group, but 'London Weighting' does not therefore John will receive 'Car Allowance' but will not receive 'London Weighting'.

Earnings plans are constructed via the menu item **Company > Company Setup > Groupings > Earnings Plans**.

Company - Company Setup - Groupings - Earnings Plans

New Record

Plan code:

Plan description:

Earnings

Check the earnings that are a part of this plan:

Y/N	Earnings code:	Description:
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>

Earnings description:

Default employee rate:

Default employee amount:

Figure 1 - 12 Earnings Plans page

Field descriptions – Earnings Plans

Table 1 - 13 Earnings Plans field descriptions

Field	Description
Code	A unique, company defined, code identifying the deduction. The code can be up to ten characters, including letters, numbers, hyphens and underscores.
Description	A short description, up to 40 characters, of the deduction.
Default employee Rate	The default rate for the selected earning. The default rate can be overridden for any employee on the People > Payroll Information > Earnings page or in PDE . <i>NOTE: A default amount or a default rate can be entered, but not both.</i>
Default employee amount	The default amount for the selected earning. The default amount can be overridden for any employee on the People > Payroll Information > Earnings page or in PDE . <i>NOTE: A default amount or a default rate can be entered, but not both. Also, a default amount, or a default quantity can be entered, but not both.</i>

Field	Description
Default employee quantity	<p>The default quantity for the selected earning. The default quantity can be overridden for any employee on the People > Payroll Information > Earnings page or in PDE.</p> <p>For example, if an employee regularly does six hours overtime, the earning would be Overtime and the quantity would be 6.</p> <p><i>NOTE: A default amount or a default quantity can be entered, but not both</i></p>

Setting up earnings plans

NOTE: Prior to constructing company earnings plans, each individual earning must have previously been defined, see [Setting up an earning](#) on Page 1 - 11.

- From the menu, select **Company > Company Setup > Earnings > Groupings > Earnings Plans**
- From the selection pick list, click **New Earnings Plan** to open the **Earnings Plans** page
- Enter a unique code and a description for the plan
- At the foot of the page, **Click Save Earn Plan**, the plan is saved and the new plan’s **Earnings Plan** page opens
- In the **Earnings** area, select the earnings that are to be part of the new plan
- For each earnings in the plan, enter optional default employee amounts, rates or quantities. For further information on how to complete these fields, refer to [Earnings plans field descriptions](#) on Page 1 - 43.
- Click **Save Earnings**.

Assigning a new earning to an existing earnings plan

If a new earning is created, it may be included in an existing earnings plan by following the procedure below:

- From the menu, select **Company > Company Setup > Groupings > Earnings Plans**
- From the selection pick list, select the appropriate company and click on the earning that is to be included in an earnings plan
- In the **Plans** area, select the checkboxes for the plans that this earning is to be part of
- Enter optional default employee amounts, rates or quantities. For further information on how to complete these fields, refer to [Earnings plans field descriptions](#) on Page 1 - 43
- Click **Save Plan**.

Earnings categories

Earnings categories are groups of earnings used for reporting purposes. For example, an earnings category can be configured for all earnings associated with paid time off. When live payrolls are run, reports can be generated by the categories that have been configured.

Setting up earnings categories

Company - Company Setup - Groupings - Earnings Categories

New Record

Category code:

Description:

Earnings

Check the earnings that belong to this category:

Y/N	Earnings Code:	Description:
<input type="checkbox"/>		

Previous Earnings Next Earnings Cancel Changes Save Earnings

Figure 1 - 13 Earnings Categories page

NOTE: Prior to constructing company earnings categories, each individual earning must have previously been defined, see [Setting up an earning](#) on Page 1 - 11.

- From the menu, select **Company > Company Setup > Groupings > Earnings Categories**
- From the selection pick list, click **New Earnings Category** to open the **Earnings Categories** page
- Enter a unique code and a description for the plan
- At the foot of the page, click **Save Category**, the category is saved and the new **Earnings Categories** page opens
- In the **Earnings** area, select the earnings that are to part of the new category
- Click **Save Category**.

Assigning a new earning to an existing earnings category

If a new earning is created, it may be included in an existing earnings category by following the procedure below:

- From the menu, select **Company > Company Setup > Earnings > Earnings Categories**
- From the selection pick list, select the appropriate company and click on the earning that is to be included in an earnings category

- In the **Categories** area, select the checkboxes for the categories that this earning is to be part of
- Click **Save Category**.

Deduction plans

Instead of applying each individual deduction to every new employee, a company can setup deductions plans that group common deductions together. These deductions groups, or plans, can then be assigned, as appropriate, to each new employee through the **New Starter Assistant**. This method simplifies and accelerates the hiring process.

Deductions plans are constructed via the menu item **Company > Company Setup > Groupings > Deduction Plans**.

Figure 1 - 14 Deductions Plans page

Field descriptions – Deductions Plans

Table 1 - 14 Deductions Plans field descriptions

Field	Description
Plan code	A unique, company defined code, identifying the deduction. The code can be up to ten characters, including letters, numbers, hyphens and underscores.
Plan description	A short description, up to 40 characters, of the deduction.

Field	Description
Deduction description	A short description of the deduction that is currently selected.
Default employee amount	The default amount for the selected deduction. The default amount can be overridden for any employee on the People > Payroll Information > Deductions and Employer Contributions or in PDE .
Default employee percentage	The default percentage for the selected deduction. The default percentage can be overridden for any employee on the People > Payroll Information > Deductions and Employer Contributions or in PDE .

Setting up deduction plans

NOTE: Prior to constructing company deductions plans, each individual deduction must have previously been defined, see [Setting up an employee deduction](#) on Page 1 -32.

- From the menu, select **Company > Company Setup > Groupings > Deduction Plans**
- From the selection pick list, click **New Deduction Plan** to open the **Groupings Deduction Plans** page
- Enter a unique code and a description for the plan
- At the foot of the page, **Click Save Ded Plan**, the plan is saved and the new plan’s deductions page opens
- In the **Deductions** area, select the deductions that are to part of the new plan

NOTE: Deductions that are pension related cannot be added to deduction plans. This is because pensions can only be assigned to employees via the pensions enrolment process.

- For each deduction in the plan, enter optional default employee amounts, or percentage. For further information on how to complete these fields, refer to [Deduction plans field descriptions](#) on Page 1 -46.
- Click **Save Deductions**.

Assigning a new deduction to an existing deductions plan

If a new deduction is created, it may be included in an existing deduction plan by following the procedure below:

- From the menu, select **Company > Company Setup > Deductions > Deduction Plans**
- From the selection pick list, select the appropriate company and click on the deduction that is to be included in a deduction plan
- In the **Plans** area, select the checkboxes for the plans that this deduction is to be part of

- Enter optional default employee amounts or percentage. For further information on how to complete these fields, refer to [Deduction plans field descriptions](#) on Page 1 -46.
- Click **Save Plan**.

Deduction categories

Deduction categories are groups of deductions used for reporting purposes. For example, a deduction category can be created for all deductions associated with Paid Time Off (PTO). When live payrolls are run, reports can be generated for the PTO category.

Creating deduction categories

Figure 1 - 15 Deductions categories page

NOTE: Prior to constructing company deductions categories, each individual deduction must have previously been defined, [Setting up an employee deduction](#) on Page 1 -32.

From the menu, select **Company > Company Setup > Groupings > Deduction Categories**

- Select **New Deduction Category** to open the **Deduction Category** page
- Enter a unique code and a description for the plan
- At the foot of the page, click **Save Category**, the category is saved and the new **Deduction Categories** page opens
- In the **Deductions** area, select the deductions that are to part of the new category
- Click **Save Category**.

Assigning a new deduction to an existing deduction category

If a new deduction is created, it may be included in an existing deduction category by following the procedure below:

- From the menu, select **Company > Company Setup > Deductions > Deduction Categories**

- From the selection pick list, select the appropriate company and click on the deduction that is to be included in an deduction category
- In the **Categories** area, select the checkboxes for the categories required
- Click **Save Category**.

Formulae

All earnings and deductions use formulae for their calculations. Each formula consists of an expression containing the variables and mathematical operations to perform. When formulae are created, expressions are selected from the list provided.

Pre-supplied formulae

ADP Freedom comes with pre-supplied formulae and expressions. These formulae have specifically been created to calculate all foreseen occurrences of earnings and deductions. As such the formulae are read only and non maintainable by the ADP Freedom user.

Formula rules are applied to earnings and deductions via the **Rules Definitions** page.

The Rule Definitions page

Company - Company Setup - Formulas - Rule Definitions

Overtime at time and a half (010)

Formula usage:

Usage: Earnings

Formula:

Code: 010

Description: Overtime at time and a half

Expression: Quantity x Rate x Fixed Value 1

<p>Source:</p> <p>Quantity: Default</p> <p>Rate: Base Hourly Rate</p> <p>User total: </p>	<p>Table:</p> <p>Name: </p> <p>Result: </p> <p>Use quantity in table: <input type="checkbox"/></p>
---	--

<p>Fixed Values:</p> <p>Value 1: 1.5</p> <p>Value 2: </p>	<p>Next:</p> <p>Next formula: </p> <p>Pass to next: </p>
---	--

Result:

Rounding: No Rounding Save result: Add to

Notes: Calculates advised hours x base hourly rate x 1.5

Figure 1 - 16 Rule Definition page

New rule definitions can be created to provide the correct calculation process for any type of earnings or deductions that a company has to make. The field definition table, below, describes how each field should be completed to create or edit rules.

Field descriptions – Rule definition page

Table 1 - 15 Rule Definition field descriptions

Field	Description
Formula usage	
Usage	Where the rule is to be used, normally the options will be Earnings or Deductions .
Formula	
Code	A unique, company defined, code identifying the deduction. The code can be up to ten characters, including letters, numbers, hyphens and underscores.
Description	A company specific description of the formula, for example: Overtime at time and a half .
Expression	The elements of the formula that create the rule. In this case it would be Quantity x Rate x Fixed value 1 where Quantity is the amount of overtime worked (could be minutes, hours, days etc); Rate is the rate of pay per quantity (say, £6 per hour); and Fixed Value 1 is '1½'.
Source	
Quantity	Where the quantity, such as hours worked, is derived from. Normally this would be taken from the Default , and derived from PDE (for, say, overtime) or standard hours. There are also the options of taking the quantity from a customised source, such as WorkTotal 1 , WorkTotal 2 etc.
Rate	Where the rate, such as £s per hour, is derived from. Normally this would be taken from the Default , and derived from PDE (for, say, overtime) or standard rate. There are also the options of taking the rate from a customised source, such as WorkTotal 1 , WorkTotal 2 , etc.
User total	Optional: This option has been provided to allow the inclusion of customised accumulators in formulae. For instance, if a user accumulator has been created to monitor overtime, this accumulator can be used within a formula even though it is not an inherent ADP Freedom accumulator. The User Total covers all accumulators that have been created by the user, and these are available from this drop down list. If a formula expression includes the term User Total , then the actual value (or item) that it refers to is selected from this list.
Table	

Field	Description
Name	Optional: A formula may contain an expression that uses a table search based formula, a sort of lookup. If this is the case then the table to search is identified from this list. When the table is searched there are six results returned, the final selection is dependant on the Result field, below.
Result	Used in conjunction with table Name above, this field identifies which of the six results (Answer 1, Answer 2 etc) that are returned, is to be used.
Use quantity in table	Optional: This checkbox invokes a second search of the above table, based on the value returned from the first search.
Fixed values	
Value 1 and 2	Fixed values that can be used in the formula, for instance 1½ as used in the overtime at time and a half formula rule.
Next	
Next formula	If the result of this formula rule is to be passed to another formula rule (i.e. it is only part of the full process) then the formula that the result is to be passed to can be selected from this drop down list. This field is used in conjunction with the field below, Pass to next .
Pass to next	If the field above has identified a formula to which this result is to be passed, then this Pass to next field must be completed. This field defines how the result of the present formula is to be used in the formula to which it is passed. For instance the result may be used as a rate or a quantity.
Result	
Rounding	This field indicates whether the result should be rounded up to or down to the nearest whole number. You could also elect to round to the nearest whole number.
Save result	This field is only used if the formula is part of a chain of formulae. The field indicates how the result (of this individual formula) is stored. The choices may be to: <ul style="list-style-type: none"> • Add to the result of the previous formula • Replace the result of the previous formula • Add to the result of the previous result with an opposite sign (i.e. take away from)
Notes	
Notes	Any additional notes that may be of use.

Selections for Variables

Fixed Value 1

Use **Fixed Value 1** for constant amounts that are the same for all employees. Enter the fixed amount in the Fixed Values area.

Examples:

- An earning that reimburses for rental of a bleeper
- A deduction for a fixed amount of money for union dues

Fixed Value 2

Fixed Value 2 represents a constant amount that is used with **Fixed Value 1**. Use **Fixed Value 2** whenever it is required in the selected expression. **Fixed Value 2** is only available when **Fixed Value 1** also appears in the same expression. For example the expression (Quantity x Rate x Fixed Value 1) + **Fixed Value 2** might be used for weekend overtime when a premium is paid over and above the overtime payment.

Advised Amount

Use advised amount for monetary amounts that can vary from one employee to another. When a payroll is processed, the data for an advised amount comes from either, the default amount in the employee record, or the amount entered in PDE.

Examples:

- Commission earnings entered in PDE
- Medical deductions entered as defaults on the Deductions page

Default (Transaction or Passed)

The selection of **Default (Transaction or Passed)** means that the data comes from one of the following sources:

- **PDE**
- **People > Payroll Information > Earnings or Deductions and Employer Contributions** page
- A result passed from another formula step

NOTE: PDE always overrides the employee defaults

The following tables provide the data sources for the **Default** selection, depending on the type of formula that is used.

Earnings Default

Table 1 - 16 Earnings Default descriptions

Term	Source
Quantity	<ul style="list-style-type: none"> Standard hours PDE of regular hours
Rate	<ul style="list-style-type: none"> Employee pay rate, or PDE pay rate override <p><i>NOTE: The earnings default rate is expressed in pounds and pence</i></p>

Deductions Default

Table 1 - 17 Deductions Default descriptions

Term	Source
Quantity	<ul style="list-style-type: none"> N/A
Rate	<ul style="list-style-type: none"> Default percentage, or PDE rate override <p><i>NOTE: The deductions default rate is expressed as a decimal</i></p>

Setting Up Salary Sacrifice Schemes

What is Salary Sacrifice?

Salary sacrifice is not a term that you will find in legislation. It describes a legally-binding change in the contractual arrangements between employer and employee - most commonly where the employment contract is amended to reduce the employee's entitlement to cash salary, and a non-cash benefit is provided. The value of the non-cash benefit typically equates to the amount of salary "sacrificed".

Some common current¹ salary sacrifice schemes may cover:

- **Pensions** - Instead of the employee making a pension contribution from their wages (i.e. a pension deduction), their salary is reduced by the amount of the contribution and that amount is converted to an employer's pension contribution. Taxable and NICable pay are thus reduced, reducing tax, employee's NICs and employer's NICs.
- **Childcare vouchers** - The employee sacrifices part of their salary in exchange for provision of a childcare voucher to the same value (which is provided outside of the

¹ The effective benefit may vary in accordance with changes to tax legislation.

payroll). Taxable and NICable pay are thus reduced, reducing tax, employee's NICs and employer's NICs.

- **Mobile phones** - The employer makes mobile phone package(s) available to employees. The employer pays the mobile phone bill, and the cost of the bill is deducted from the employee's salary.

Salary sacrifice has the effect of reducing contractual salary, so any benefits based on salary may be affected. However, some employers may make arrangements so that the salary amount used in calculating overtime, bonuses and pay rises is based on the pre-sacrifice salary. If the employer has done this, then using salary sacrifice will not reduce overtime, bonuses or pay rises.

How is Salary Sacrifice Handled?

A Salary Sacrifice scheme is implemented in ADP freedom using a special type of Employer contribution for the salary sacrifice that is linked to an equivalent Employee earning.

The **Employer contribution** holds the calculated amount of the benefit being provided by the employer. The system generated **Employee earning** is automatically set to the salary sacrifice amount, but is a negative value, thus reducing the employee's salary (whilst still retaining their original salary value).

For a pension related salary sacrifice i.e. when the employer is making a pension contribution to the value of the sacrificed salary amount, the employer deduction is included as part of the Pension scheme (as per Employer and Employee deductions).

This allows:

- the deductions to be automatically assigned to the employee on enrolment into the Pension scheme
- a formula to be used to calculate the salary sacrifice/pension contribution (Pension Eligible Earnings * Rate)
- the deductions to be included in standard reports.

For a non-pension related salary sacrifice, e.g. childcare vouchers, all of the different types of formula that can be used to calculate deductions are available (including the pension related formula above).

Note: If an employee takes statutory leave e.g. maternity leave, the sacrifice amount is restricted, if necessary, to ensure the statutory payment is made in full to the employee. These exceptions are noted on the Salary Sacrifice Exceptions reports (pre and post commit).

Salary Sacrifice Employer Contribution

The Employer Contribution for a salary sacrifice should be set up in the same way as any other employer contribution except that the **For use as salary sacrifice** flag should be ticked. When this is set up, the system automatically generates a corresponding Salary Sacrifice Earning which is identified and linked to the Employer contribution.

The formula that is associated with the Employer Contribution is used to calculate the salary sacrifice. This might be a fixed amount or a percentage of eligible earnings, or for a pension related salary sacrifice the standard pension formula (as illustrated below).

For a pension related salary sacrifice, the Employer contribution definition might look something like this:

Company - Company Setup - Deductions - Employer Contribution

Salary Sacrifice Pension 1 (SSPEN1)

Code: SSPEN1

Description: Salary Sacrifice Pension 1

Effective from: 01/01/2000 Effective to: dd/mm/yyyy

For use as salary sacrifice?

Classification: Main scheme contribution

Type: General Deduction

Formula: Pension Eligible Earnings x Rate

Expression: Pension Eligible Earnings x Rate

Include in Control Book?:

Employee deduction defaults

Amount: £ Percentage:

Annual limit: £

Payee:

Consolidate payments:

Salary Sacrifice Earning: Salary Sacrifice Pension 1

Linked deduction:

Schedule settings

First: Fourth: Generate in special payruns:

Second: Fifth: Deduct from holiday pay:

Third: Last: Show on payslip?

Print balance on payslip: [Print balance](#)

During SMP, SAP, SPP leave:

[All regular payrolls](#)

Pension settings

Pension scheme: OTGF Pension Scheme

Figure 1 - 17 Employer Contribution page for pension related salary sacrifice

Salary Sacrifice Earnings

As mentioned earlier, a Salary Sacrifice earning is created automatically by the system and is linked to the Employer Contribution. You can view the Earnings details in the normal way but cannot delete it.

Figure 1 - 18 Earnings – Additional Definition page for pension related salary sacrifice

Salary sacrifice earnings are handled automatically by the system. They are recognised as company level earnings so cannot be selected as Pay Group Earnings, or included in an Earnings Plan.

Attaching Salary Sacrifice Contributions/Earnings to Employees

The Salary Sacrifice Employer contribution is attached to the employee in the same way as any other employer contribution (see [Assigning pay group deductions](#)).

For a pension related contribution it is attached on successful enrolment of an employee into the appropriate pension scheme. This deduction will get generated regardless of whether or not the employee has opted for Salary Sacrifice. So, for employee’s who have opted out it is important to select the employee on the **People > Payroll Information > Deductions & ER Contrib** page, choose the employer contribution in the grid and set the **Status** for the contribution to **Inactive**.

Salary Sacrifice Deduction Calculations

When the payroll calculations are performed for a pay group, any Salary Sacrifice Employer contributions are calculated from the employee’s eligible earnings, prior to any pre-tax deductions and the tax/ni deductions.

The linked salary sacrifice earning amount for the employee is automatically set to the calculated salary sacrifice value, as a negative amount.

You cannot enter or adjust the salary sacrifice earnings amount using PDE and they cannot be selected using any of the manual payment options.

Note: If an employee takes statutory leave e.g. maternity leave, the sacrifice amount is restricted, if necessary, to ensure the statutory payment is made in full to the employee. These exceptions are noted on the Salary Sacrifice Exceptions reports (pre and post commit).

Workplace Pension Reform Implication on Earnings

What is Workplace Pension Reform?

Workplace Pension Reform aims to help more people save for their retirement. Once fully implemented, an employer must automatically enrol all qualifying employees (referred to as **eligible jobholders**) into a qualifying pension scheme, and make a contribution to it. A qualifying pension scheme must meet a number of conditions based on the level of contributions paid or the benefits received.

Eligible jobholders are defined as those who:

- have qualifying earnings of more than the minimum earnings threshold set by HRMC
- are aged between 22 and the state pension age and
- work in the UK.

What are Qualifying Earnings?

Qualifying Earnings are calculated by the Workplace Pension Reform component. An employee's Qualifying Earnings are compared to the Qualifying Earnings Lower (QELT) and Upper Thresholds (QEUT) as part of the assessment criteria for determining whether an employee is an eligible jobholder who needs to be enrolled automatically into the default pension scheme.

Qualifying Earnings are different to Taxable pay and NICable Pay.

The qualifying earnings are calculated as at the Pay Reference Period (PRP) which is associated with the Assessment Date used by the auto enrolment assessment process. The Assessment Date used depends on when the assessment is being run e.g. if it is being run as part of the payrun calculations, the Pay Date is used whereas if it is being run for a new starter the employee's Employment Start Date is used.

The earnings that are included in the Qualifying Earnings total for an employee are determined by the **Taxability** code on the [Earnings Definition](#) page.

What are Trivial Commutation Payments?

A trivial commutation pension payment and some other lump sum pension payments are one-off lump sums that pay off, or are paid in place of, a small pension. The usual weekly, monthly or annual pension payments do not apply. Typically, these one-off payments are used if the regular payments would be very small.

An Earning must be defined for each type of Trivial Commutation payment required.

There are three types of trivial commutation that can be paid:

A - Trivial lump sum (TCLS)

B - Other lump sum (from personal pension schemes)

Chapter 1 - Earnings and Deductions

C - Other lump sum (from occupational/public service pension schemes)

The type of Trivial Commutation payment (A, B, or C) must also be defined against the Earnings in the **Trivial commutation type** field on the [Earnings Additional Definition](#) page.