

Coronavirus Job Retention Scheme – updated rules of the scheme

All UK employers will be able to access support to continue paying part of their employees' salaries for those that would otherwise have been laid off during this crisis.

The key points are:

- All employees must have been on payroll on 28 February 2020 and can be on any type of contract including flexible or zero-hour contracts;
- An employee cannot undertake work when on furlough. This includes providing services or generating revenue for the organisation furloughing them;
- The employee's wage will be subject to usual income tax and other deductions;
- Employees who are furloughed must be furloughed for a minimum of 3 weeks;
- If you reduce your employee's hours or pay they will not be eligible for this scheme – it is 'all or nothing';
- Employees on sick leave or self-isolating should get SSP, but can be furloughed after this;
- Claims can be backdated until 1 March 2020 if applicable;
- If your employee has more than one employer they can be furloughed for each job. Each job is separate and the cap applies to each employer individually; and
- Employees who were made redundant after 28 February 2020 will be covered if they are rehired by their employer;

How to work out what you can claim....

- You will receive a grant from HMRC for the lower of
 - 80% of an employee's regular wage plus the associated employer national insurance and minimum automatic enrolment employer pension contributions on that subsidised wage, excluding any fees, commission and bonuses; or
 - £2,500 per month
- Employers must pay their employee, as a minimum, the lower of 80% of their regular wage or £2,500 per month.
- Employers can choose to top up an employee's salary beyond this but is not obliged to under this scheme.

How to work out what you can pay.....

- Full and part-time employees should use the following to calculate the 80%
 - Actual salary before tax as of 28 February 2020
 - Fees, commission and bonuses are to be excluded

- Employees whose pay varies
 - If they have been employed by you for a full 12-months prior to the claim, you can claim for the higher of
 - The same month's earnings from the previous year; or
 - The average monthly earnings from the 2019-2020 tax year.
 - If the employee has been employed for less than a year, you can claim for an average of their monthly earnings since they started work.
 - If the employee only started in February 2020, use a pro-rata for their earnings so far to claim.

Employers NI and pension contributions

All employers remain liable for associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on behalf of their furloughed employees.

You can choose to provide top-up salary in addition to the grant. Employer National Insurance Contributions and automatic enrolment contribution on any additional top-up salary will not be funded through this scheme. Nor will any voluntary automatic enrolment contributions above the minimum mandatory employer contribution of 3% of income above the lower limit of qualifying earnings (which is £512 per month until 5th April and will be £520 per month from 6th April 2020 onwards).

Making a claim

You will need to calculate the amount you are claiming. HMRC retain the right to retrospectively audit all aspects of your claim.

You can make one claim at least every three weeks (the minimum length of time an employee can be furloughed).

To claim, you will need:

- your ePAYE reference number
- the number of employees being furloughed
- the claim period (start and end date)
- amount claimed (per the minimum length of furloughing of 3 weeks)
- your bank account number and sort code
- your contact name
- your phone number

The claim will be made via the new online portal HMRC are currently developing.

Once HMRC have received your claim and you are eligible for the grant, they will pay it via BACS payment to a UK bank account though haven't said how long the repayment might take

You must pay the employee all the grant you receive for their gross pay, no fees can be charged from the money that is granted. You can choose to top up the employee's salary, but you do not have to.

Tax Treatment of the Coronavirus Job Retention Grant

Payments received by a business under the scheme are made to offset costs they incur. They must therefore be included as income in the business's calculation of its taxable profits for Income Tax and Corporation Tax purposes, in accordance with normal principles. What this means is that the grant is taxable as the grant will reduce the costs in your business.

A worked example

Barrow Rangers Ltd employs Dave and pays him £2,500 per month. Dave is within the auto enrolment pension scheme and he has agreed to be furloughed.

The available grant to the employer is the lower of:

- a) 80% of $\{(\text{£2,500 salary}) + (\text{employers NI £244}) + (\text{Employers pension contribution £75})\} = \text{£2,255}$; or
- b) £2,500

So Barrow Rangers can claim £2,255 from HMRC in respect of Dave.

What about directors/shareholders?

Some people have asked if the 80% can be claimed on dividend income from their company. The answer to that is sadly no.

HMRC haven't made any official comment about this but we suspect that they will look particularly closely at claims made in respect of directors taking furlough – partly because they are aware that some directors may choose to manipulate figures and partly because even a moribund business needs the directors to do some work to keep it going.

If you would like to read the HMRC detailed guidance on this then click on this link:
<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

Sorry for the length of this update but we do, now, have some clarity as to how the scheme will run.

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