



Fact Guide - Calculating Furlough Payments

Jim Harra, Chief Executive of HMRC, has announced that the online portal for employers to claim their grant for the Coronavirus Job Retention Scheme will open on 20th April 2020.

How will it work?

What can businesses claim?

How to make a claim?... All covered in this guide.

Source:

<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

Here are the Detailed #FACTS:

If you cannot maintain your current workforce because your operations have been severely affected by coronavirus (COVID-19), you can furlough employees and apply for a grant that covers 80% of their **usual monthly wage costs**, up to £2,500 a month. In addition, you can claim the associated Employer National Insurance contributions and pension contributions (up to the level of the minimum automatic enrolment employer pension contribution) on that subsidised furlough pay.

This is a temporary scheme in place for 3 months starting from 1st March 2020, but it may be extended if necessary and employers can use this scheme anytime during this period.

To claim via the portal, businesses will need to have:

- created and started a PAYE payroll scheme on or before 28 February 2020
- enrolled for PAYE on-line (this can take up to 10 days); and
- a UK bank account

Any entity with a UK payroll can apply, including businesses, charities, recruitment agencies and public authorities.

Which Employees can I claim for?

Only those that have been correctly furloughed (see our separate FACT3 Job Retention Scheme Guide) and that were on your payroll @ 28th February 2020.

This includes (but not limited to): Employees, Workers, Agency Staff and Apprentices and they can be on any type of employment contract and be a foreign national and on any category of visa.

To be eligible for the grant, when on furlough, an employee **cannot undertake work** for, or on behalf, of the organisation or any linked or associated organisation. This includes providing services or generating revenue. The grant does **NOT** cover anyone who is on short time working or who is Furloughed for less than 3 weeks.

Minimum furlough periods

Any employees you place on furlough must be furloughed for a minimum period of 3 consecutive weeks. When they return to work, they must be taken off furlough. Employees can be furloughed multiple times, but each separate instance must be for a minimum period of 3 consecutive weeks.

Eligible individuals who are NOT employees

As well as employees, the grant can be claimed for any of the following groups, **if they are paid via PAYE**:

- office holders (including company directors);
- salaried members of Limited Liability Partnerships (LLPs);
- agency workers (including those employed by umbrella companies); and
- limb (b) workers.

How much you can claim via the Portal

You can claim for:

- 80% of your employees' wages (more on what is classed as "wages") later, up to a maximum of £2,500 per month; AND
- Employer National Insurance contributions that are paid on the subsidised furlough pay; AND
- Employer pension contributions that are paid on the subsidised furlough pay, up to the level of the minimum automatic enrolment employer contribution (3% on qualifying earnings)

Grants will be prorated if your employee is only furloughed for part of a pay period and will NOT cover any “top up” pay that an employer chooses to make.

What is classed as “wages”?

The way you work out your employees’ wages is different depending on what type of contract they’re on, and when they started work.

If they are “salaried” ...

Businesses can claim 80% of the employee’s salary as of 28th February 2020, capped at £2500 per month pre-tax/gross pay.

If they have “variable pay”

If the Employee receives variable pay because of overtime, fee’s, compulsory commission, bonuses or non-cash payments AND these payment(s) are REGULAR then you apply the following calculation method.

Discretionary bonus (including tips), commission payments and non-cash payments should be excluded.

If the employee has 12 months service or more:

- you can claim 80% (capped at £2500 per month) of the highest of either the:
 - same month’s earning from the previous year; or
 - average monthly earnings for the 2019-2020 tax year (P60)

If the employee has under 12 months service:

- you can claim 80% (capped at £2500 per month) of their average monthly earnings since they started work.

Benefits in Kind and Salary Sacrifice Schemes

The reference salary should not include the cost of non-monetary benefits provided to employees, including taxable Benefits in Kind. Similarly, benefits provided through salary sacrifice schemes (including pension contributions) that reduce an employee’s taxable pay should also not be included in the reference salary.

All the grant received to cover an employee’s subsidised furlough pay must be paid to them in the form of money. No part of the grant should be netted off to pay for the provision of benefits or a salary sacrifice scheme.

Where the employer provides benefits to furloughed employees, including through a salary sacrifice scheme, these benefits should be in addition to the wages that must be paid under the terms of the Job Retention Scheme.

Normally, an employee cannot switch freely out of a salary sacrifice scheme unless there is a life event. HMRC agrees that COVID-19 counts as a life event that could warrant changes to salary sacrifice arrangements, if the relevant employment contract is updated accordingly.

Employer National Insurance and Pension Contributions

You'll still need to pay employer National Insurance and pension contributions on behalf of your furloughed employees, and you can claim for these too.

You cannot claim for:

- additional National Insurance or pension contributions you make because you chose to top up your employee's salary;
- any pension contributions you make that are above the mandatory employer contribution.

Apprenticeship Levy and Student Loans

Both the Apprenticeship Levy and Student Loans should continue to be paid as usual. Grants from the Job Retention Scheme do not cover these.

National Minimum Wage (and when Furloughed Employees carry out Training)

Individuals are only entitled to the National Living Wage (NLW)/National Minimum Wage (NMW)/ Apprentices Minimum Wage (AMW) for the hours they are working or treated as working under minimum wage rules.

This means that furloughed workers who are not working can be paid the lower of 80% of their salary or £2,500 even if, based on their usual working hours, this would be below their appropriate minimum wage.

However, time spent training is treated as working time for the purposes of the minimum wage calculations and must be paid at the appropriate minimum wage, taking into account the increase in minimum wage rates from 1 April 2020. As such, employers will need to ensure that the furlough payment provides sufficient monies to cover these training hours.

Where the furlough payment is less than the appropriate minimum wage entitlement for the training hours, the employer will need to pay the additional wages to ensure at least the appropriate minimum wage is paid for 100% of the training time.

If your employee does volunteer work

A furloughed employee can take part in volunteer work, if it does not provide services to or generate revenue for, or on behalf of your organisation or a linked or associated organisation.

Your organisation can agree to find furloughed employees new work or volunteering opportunities whilst on furlough if this is in line with public health guidance.

If your employee is on maternity leave, adoption leave, paternity leave or shared parental leave

The normal rules apply.

You can also claim through the scheme for enhanced (earnings related) contractual pay for employees up to the usual cap.

What you'll need to make a claim via the Portal

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

- your employer PAYE reference number
- the number of employees being furloughed
- National Insurance Numbers for the employees you want to furlough
- Names of the employees you want to furlough
- Payroll/works number for the employees you want to furlough
- your Self Assessment Unique Taxpayer Reference or Corporation Tax Unique Taxpayer Reference or Company Registration Number
- the claim period (start and end date)
- amount claimed (per the minimum length of furloughing of 3 consecutive weeks)
- your bank account number and sort code
- your contact name
- your phone number

Who Makes the Claim via the Portal?

If you use an agent who is authorised to act for you for PAYE purposes, they will be able to make a claim on your behalf.

If you use a file only agent (who files your RTI return but doesn't act for you on any other matters) they won't be authorised to make a claim for you and you will need to make the claim yourself. Your file only agent can assist you in obtaining the information you need to claim (which is listed above). We are making the claim process as straightforward as possible.

What and When to Claim via the Portal

You should make your claim using the amounts in your payroll - either shortly before or during running payroll.

Claims can be backdated until the 1 March where employees have already been furloughed.

After you've claimed

HMRC will check your claim, and if you're eligible, pay it to you by BACS to a UK bank account.

You must pay the employee all the grant you receive for their gross pay in the form of money. Employers cannot enter into any transaction with the worker which reduces the wages below the amounts of 80% of wages capped at £2500 per month, including any administration charge, fees or other costs in connection with the employment.