

[View this email in your browser](#)



ALLEN&OVERY ACCOUNTS

Coronavirus Job Retention Scheme (CJRS)

As expected, late on Friday evening HMRC updated its guidance to reflect changes to the furlough scheme from 1 July, including the introduction of flexible working.

From 1 July employers can bring furloughed employees back to work flexibly and part time, for any amount of time and any work pattern, while still being able to claim the grant for the hours not worked. More detail below.

An unfortunate consequence of this increased flexibility is a much more complicated set of rules and even more complex calculations.

Claim Periods

There is effectively a **new** CJRS in place for furlough periods from 1 July 2020 (CJRS V2). Furlough periods which straddle 1 July are treated as ending on 30 June 2020 and then restart under the new scheme on 1 July. Two separate claims will be needed for such straddling furloughs, with furlough days up to 30 June 2020 to be included in the June claim.

Claims under CJRS V1 must be made by 31 July. Claims under the new CJRS V2 cannot be made **until** 1 July.

If an employer wishes to claim for furlough periods in both June and July, they

must make two separate claims for the June furlough and the July furlough.

Timetable

- June and July – employers can still claim 80% of a furloughed employee's gross wage up to £2,500 plus employer's NIC and 3% pension costs.
- From 1 July 2020 – employers can bring furloughed staff back part time and decide the hours and shifts patterns.
- From 1 August – employers can still claim 80% of the gross wage up to £2,500 but not employer's NIC or pension.
- From 1 September – employers can claim 70% of the gross wage up to £2,187.50 but not employer's NIC or pension. Employers will also have to contribute 10% of the furloughed pay.
- From 1 October – employers can claim 60% gross wage up to £1,875 but not employer's NIC or pension. Employers will also have to contribute 20% of the furloughed pay.
- 31 October – the scheme ends.

Summary of Changes

CJRS V1: 1 March 2020 to 30 June 2020

- Employees must be fully furloughed, no work is allowed.
- The minimum furlough period for each employee is 3 weeks.
- No new employee can be admitted to the scheme after 30 June. This, combined with 30 June end date for CJRS V1, meant the last date on which an employee could begin a period of furlough for the first time was 10 June 2020.
- 31 July is final date for submitting claims under CJRS V1.

CJRS V2: 1 July 2020 to 31 October 2020

- From 1 July the scheme is only available to employers who have used CJRS V1 and only for employees they have previously furloughed.
- Employees can be flexibly furloughed, enabling part-time working.
- There is no minimum furlough period.
- Furlough claims become more specific and must contain details of usual

hours (based on calendar days) and usual hours worked. Hours furloughed will be the difference between these.

- Each claim made by an employer must be for at least one calendar week, albeit the days in the month falling before and after the whole week claims in the month will have to be the subject of separate shorter claims.
- No claim period can extend across a calendar month end.

Flexible Furlough

CJRS V2 allows complete flexibility for employees and employers to adopt whatever working/non-working pattern is agreed between them.

The furlough period can vary from day to day, or week to week, but accurate records must be maintained. **Crucially, these records must be maintained in hours.**

If employers want to take advantage of this flexibility they will have to calculate all of the following for the employee:

- 'usual hours'
- worked hours i.e. the actual hours worked
- furloughed hours – calculated by deducting the worked hours from the usual hours

'Usual hours' are either:

- Contracted hours for salaried employees (HMRC [examples 2.1 to 2.3](#));
or
- Specific formula for zero hours or variably paid employees (HMRC [examples 2.4 to 2.6](#))

In all calculations always **round up to the next whole number of hours.**

Employers will be expected to report the usual hours and worked hours in the CJRS claims portal.

Since April 2019 employers have had to show the number of hours worked on

payslips if pay varies based on hours worked. This requirement will apply to all employees who are flexibly furloughed from 1 July. Whilst the new rules require an employer to show the working hours as a total for the pay period, some may choose to show furloughed hours as well for transparency.

The wage cap continues to apply (currently £2,500 per month). This applies to each employment and is not aggregated, it is prorated to the hours in the pay period that the employee is furloughed, with this apportionment based on calendar days. The employer's NIC threshold and pension threshold will also be apportioned (see [step by step example](#), and examples [3.1-3.8](#)).

Employment law must continue to be observed and, as in the first phase, contracts may need to be varied and amended, perhaps several times in the coming months.

The overriding principles remain that employees must be paid their contractual entitlement through the payroll and be reported through the Real Time Information (RTI) system. The employer can then choose to apply for a CJRS government grant to offset all or part of this cost.

There are some constraints imposed by the claim system and some rules for the content of claims themselves, but **employers have almost total flexibility**.

There is no longer any minimum period requirement and the furlough periods can be for as little as an hour or, at the other extreme, as long as the entire scheme lasts.

This increased flexibility will accommodate flexible shift patterns, although calculating claims for varying periods will become much more complicated.

ICAEW have produced a series of example calculations which are based on a scenario of a furloughed employee who normally works 7 hours a day for 5 days a week who is returning under flexible furlough for 2 days out of 5 in July. These can be found at:

<https://www.icaew.com/coronavirus/coronavirus-job-retention-scheme/cjrs-and-flexible-furlough-from-1-july/cjrs-calculations?>

[utm_campaign=Members%20-%20ICAEW&utm_medium=email&utm_source=1438010_ICAEWDaily_News_16June2020&utm_content=cjrs&dm_i=47WY,UTKQ,JWL47,3RKZP,1](https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme)

Maximum Numbers

For employees that meet the published criteria, the number of employees an employer can claim for in any single claim period starting from 1 July cannot exceed the maximum number of employees that employer claimed for under any claim ending by 30 June.

HMRC gives an example of an employer who had previously submitted three claims between 1 March and 30 June, in which the total number employees furloughed in each respective claim was 30, 20 and 50 employees. Then the maximum number of employees that employer could furlough in any single claim starting on or after 1 July would be 50.

HMRC Links

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

<https://www.gov.uk/government/publications/find-examples-to-help-you-work-out-80-of-your-employees-wages/examples-of-how-to-work-out-80-of-your-employees-wages-national-insurance-contributions-and-pension-contributions#work-out-your-employees-usual-hours-and-furloughed-hours>

We will provide more detail and cover commonly asked questions over the coming days and weeks.

The Allens Team



Copyright © 2020 Allens Chartered Accountants, All rights reserved.

You are receiving this message as a connection of Allens Chartered Accountants. You can unsubscribe at any time.

Our mailing address is:

Allens Chartered Accountants
123 Wellington Road South
Stockport, Cheshire SK1 3TH
United Kingdom

[Add us to your address book](#)

Want to change how you receive these emails?

You can [update your preferences](#) or [unsubscribe from this list](#)