

**ALLENS ACCOUNTANTS**  
**CORONAVIRUS JOB RETENTION SCHEME (CJRS)**



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This guide is based on what we know as of 16/04/2020

Summary

HMRC will set up a new online portal so that ALL UK employers this month (proposed for launch on 20 April 2020), regardless of size, will be eligible for assistance where an employee has been designated as a 'furloughed worker.' HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month. The scheme does not allow for payments directly to employees, the responsibility for paying wages and salaries remains with the employer and must be recorded and reported in the normal way.

The current plan is that this will be in place for 3 months, starting from 1 March 2020 to 31 May 2020. Employers must set out which of their employees are 'furloughed workers' and inform the particular employees.

Detail

- 1 The grant will cover:
  - **80% of 'regular' gross wage of furloughed employees** up to a cap of £2,500 per month; and
  - Employers NIC on the subsidised wages; and
  - Minimum employer pension contributions on subsidised wages (3%)
- 2 To be eligible an employer must have a PAYE scheme in place by **19/03/2020** and be enrolled for PAYE online - this can take up to 10 days
- 3 To be eligible for furlough the employee must have been on the payroll by **19/03/2020 AND be notified to HMRC on an RTI submission on or before 19/03/2020**
- 4 Gross wage is 'regular payments' and includes wages, past overtime, fees and compulsory commission payments but not discretionary bonuses and commission payments
- 5 For full or part time employees, the 80% calculation is based on their last pay period prior to **19/03/2020** (previous guidance was to use salary as at 28/02/2020)
- 6 For employees who have been employed for 12 months and on variable pay the 80% calculation is based on the **HIGHEST** of:
  - the same month's earnings from the previous year; and
  - the average monthly earnings for the 2019/2020 tax year (up to the date when furloughed)
- 7 If an employee has been employed for less than 12 months the 80% calculation should be based on their average monthly earnings since starting work up to the date they are furloughed
- 8 A furloughed employee is somebody who is on agreed temporary leave of absence  
It is an alternative to redundancy as there is no work for them to do
- 9 Employer can decide which employees are to be furloughed using fair selection process (doesn't have to be all staff)

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- 10 Furloughed employees should be informed in writing and their consent obtained
- The employer should also instruct the employee in writing to **cease all work as a result of Coronavirus**  
We can only give limited advice here as it's a matter of employment law and advice may differ depending on their employment contracts etc - there are a number of templates online including on the ACAS website  
<https://www.acas.org.uk/furlough-letter-template>
- 11 Furloughed employees **CANNOT DO ANY WORK** for the company in any capacity  
- HMRC confirm this includes providing services or generating revenue  
- This includes working for 'any linked or associated organisation'  
- if an employee works on reduced hours or pay they are not eligible  
- an employee can undertake training whilst furloughed (see below)
- 12 The minimum period for furloughing is **3 weeks** (an employee can be brought on and off furlough but each separate period of furlough must be at least three consecutive weeks)
- 13 Claims can be backdated to **01/03/2020** but only to the date when staff were furloughed
- 14  
Scheme due to run for **3 months from 01/03/2020** to 31/05/2020 but will be extended if necessary
- 15 The scheme also covers employees who were on payroll at **28/02/2020**, made redundant before **19/03/2020** and rehired by employer and put on furlough
- 16 Employees on unpaid leave cannot be furloughed unless placed on leave after **28/02/2020**
- 17 Employees on sick leave or self-isolating should be paid SSP but can be furloughed after this or for business reasons when off sick
- Employers can claim under both the CJRS scheme and SSP rebate scheme for the same employee, but not for the same period of time
- 18 Employees who are 'shielding' in line with government guidance can be furloughed if they cannot work from home and would otherwise be made redundant
- 19 Employees who are unable to work because of caring responsibilities, including looking after children, can also be furloughed
- 20 If an employee has more than one employer they can be furloughed for each job, as each job is treated separately
- 21 Furloughed employees can undertake volunteer work and can engage in training (in fact HMRC state that furloughed employees should be 'encouraged' to undertake training)
- 22 To be eligible, a payroll must continue to be run as normal with wages still subject to usual tax/NIC deductions, and RTI submissions made

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- 23 If possible, net salary payments should be paid to employees and PAYE/NIC to HMRC (HMRC have not yet provided guidance if company is not able to make these payments)
- 24 Employers can choose to continue to pay 100% of their furloughed employee's wages, or reduce to 80% with the consent of their employees
- 25 Reimbursement to the company will be made in the form of a (taxable) grant to be claimed through a new online portal yet to be built - expected to be up and running by 20/04/2020 with the first payments made by the 'end of April'
- 26 The only way to make a claim is online
- 27 A claim can be made every 3 weeks - as such the claim period is not linked to the employee's pay period
- 28 The following information will be needed to make a claim:
- Employer PAYE reference number
  - The number of employees being furloughed
  - The name and NI number for each furloughed employee
  - Employer UTR
  - The claim period (start and end date, the start date cannot be before 1 March 2020)
  - Amount claimed - HMRC will not do this calculation
  - Your bank account number and sort code
  - Your contact details (name and phone number)

ALLENS PAYROLL DEPARTMENT WILL BE MAKING THESE CLAIMS FOR PAYROLL CLIENTS

- 29 Claims should be made 'either shortly before or during running payroll' once the portal is open - they will then be checked by HMRC and, if eligible, paid by BACS to a UK bank account
- 30 HMRC have said that they will retain the right to retrospectively audit all aspects of claims
- 31 Grants will be pro-rated if an employee is furloughed for part of a pay period
- 32 **Directors are not disqualified from being furloughed and can take advantage of CJRS**  
The decision must however be formally adopted as a company decision and communicated in writing to the director
- 33 **Directors can continue to perform statutory duties** whilst furloughed (but not income generating work) and still be eligible
- 34 **Directors should be able to claim 80% of their PAYE salary**  
EG1: £8,600 x 1/12 = £716 @ 80% = £573 per month  
EG2: £12,500 x 1/12 = £1,041 @ 80% = £833 per month

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- 35 Dividends are not eligible for government support
- 36 The Government has said that there will be heavy penalties for any employer or adviser who abuses the scheme or makes fraudulent claims  
HMRC have announced the intention to set up a 'whistle blower' service to report employers
- 37 Other support for director/shareholders on low salaries:
- deferral of VAT payments between 20/03/2020 and 30/06/2020 (not payable until March 2021)
  - deferral of all other taxes such as Corporation Tax via Time To Pay facility
  - deferral of July 2020 self-assessment payment on account to January 2021
  - claim for Universal Credit but need savings less than £16k
  - grant funding from local authority if have premises
  - ability to negotiate rent deferrals with landlords
  - emergency bank loans via CBILS

The above is based on information on gov.uk, guidance provided by ICAEW/CIOT and expert opinion in the technical press

The best sources for additional information are:

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

<https://www.icaew.com/insights/viewpoints-on-the-news/2020/mar-2020/coronavirus-job-retention-scheme-furlough-guidance>

This guide is not designed to cover every detail of the scheme or every situation, but summarises what we know at the date it was last updated. This guide is not intended to constitute advice and any client wanting advice on their own specific situation should contact us immediately.

We have done our best to ensure that everything in this guide is up-to-date and accurate. However, no representation, warranty or undertaking (express or implied) is made and no responsibility is taken as to the adequacy, accuracy, completeness or reasonableness of the information herein. It must be clearly understood that, in accordance with our invariable practice, the firm expresses the views herein subject to the condition that no legal responsibility is accepted by the firm or the writer.

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