

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



Below is a summary of what we currently know (as of 06/04/2020)

- 1 The scheme is designed to cover **80% of the 'usual wage cost'** of furloughed employees up to a maximum of £2,500 per month PLUS employers NIC and minimum auto enrolment pension contributions - see Note A
- 2 A furloughed employee is somebody who is on agreed leave of absence  
- it is an alternative to redundancy as there is no work for them to do
- 3 Employer can decide which employees are to be furloughed using fair selection process (doesn't have to be all staff)
- 4 Furloughed employees should be informed in writing and their consent obtained  
- 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 - we can provide examples of letters prepared by employment lawyers and there are some available online  
<https://www.rossmartin.co.uk/covid-19/4634-covid-19-employee-job-retention-scheme#letter-to-employee>
- 5 Furloughed employees **CANNOT DO ANY WORK** for the company in any capacity  
- HMRC confirm this includes providing services or generating revenue  
- if an employee works on reduced hours or pay they are not eligible
- 6 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)
- 7 To be eligible an employer must have a PAYE scheme in place by **28/02/2020** and be enrolled for PAYE online - this can take up to 10 days
- 8 To be eligible for furlough the employee must have been on the payroll by **28/02/2020**  
- anyone who started after is not eligible
- 9 The scheme also covers employees who were made redundant since **28/02/2020** if subsequently rehired by employer
- 10 Employees on unpaid leave cannot be furloughed unless placed on leave after **28/02/2020**
- 11 Employees on sick leave or self-isolating should be paid SSP but could be furloughed after this
- 12 Employees who are 'shielding' in line with government guidance can be furloughed if they cannot work from home and would otherwise be made redundant - see note B
- 13 Employees who are unable to work because of caring responsibilities, including looking after children, can also be furloughed

- 14 If an employee has more than one employer they can be furloughed for each job, as each job is treated separately
- 15 Furloughed employees can undertake volunteer work and can engage in training in fact HMRC state that furloughed employees should be 'encouraged' to undertake training
- 16 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
- 17 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)
- 18 Employers can choose to continue to pay 100% of their furloughed employee's wages, or reduce to 80% with the consent of their employees
- 19 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 **21/04/2020** with the first payments made by the 'end of April' - these can be made every 3 weeks
- 20 The following information will be needed to make a claim:
  - ePAYE reference number
  - The number of employees being furloughed
  - 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 CLIENTS

- 21 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  
  
HMRC have said that they will retain the right to retrospectively audit all aspects of claims
- 22 Claims can be backdated to **01/03/2020** but only to the date when staff were furloughed
- 23 Scheme due to run for **3 months from 01/03/2020** but will be extended if necessary  
  
Grants will be pro-rated if an employee is furloughed for part of a pay period
- 24 **Directors are not disqualified from being furloughed and can take advantage of CVJRS**
- 25 **Directors can continue to perform statutory duties** whilst furloughed (but not income generating work) and still be eligible - see note C

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- 26 **Directors should be able to claim 80% of their PAYE salary** - see note D  
EG1: £8,600 x 1/12 = £716 @ 80% = £573 per month  
EG2: £12,500 x 1/12 = £1,041 @ 80% = £833 per month
- 27 Dividends are not eligible for government support
- 28 The Government has said that there will be heavy penalties for any employer or adviser who abuses the scheme or makes fraudulent claims
- 29 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>

Notes

- A For full time and part time salaried employees the actual gross salary as of 28/02/2020 should be used to calculate the 80%

If an employee's wage varies but they have been employed for 12m prior to the claim, the employer can claim for the higher of either:

- the same month's earning from the previous year; or
- average monthly earnings from the 2019/20 tax year

Commission and discretionary bonuses should not be included in the calculations

In their 04/04/2020 updated guidance HMRC confirm that the calculations can include 'past overtime, fees and compulsory commission payments'

- B This also includes employees who need to stay at home with someone who is shielding

<https://www.gov.uk/government/publications/guidance-on-shielding-and-protecting-extremely-vulnerable-persons-from-covid-19/guidance-on-shielding-and-protecting-extremely-vulnerable-persons-from-covid-19#what-is-shielding>

- C HMRC have confirmed in their updated guidance released on 04/04/2020 that for a director to be furloughed it needs to be '*formally adopted as a decision of the company, noted in the company records and communicated in writing to the director concerned*'

HMRC have also confirmed in the same updated guidance that a director '*should not do work of a kind they would carry out in normal circumstances to generate commercial revenue or provides services to or on behalf of their company*'

It is worth mentioning ICAEW's stated view that '*in such times as we find ourselves, a pragmatic view should be taken*'

- D We think that the amount that the 80% claim will be based on for directors whose salaries are processed annually (as many are through our payroll) will be the average salary for the 18/19 or 19/20 tax year

The ICAEW published some FAQs on 01/04/2020 in which they stated that their understanding was that directors salaries paid annually '*should be acceptable*'

[https://www.icaew.com/insights/viewpoints-on-the-news/2020/apr-2020/sole-directors-and-the-coronavirus-job-retention-scheme?utm\\_campaign=Members%20-%20ICAEW&utm\\_medium=email&utm\\_source=1363745\\_ICAEWDaily\\_News\\_01April2020&utm\\_content=owner&dm\\_i=47WY,T89T,JW2S3,3IXN3,1](https://www.icaew.com/insights/viewpoints-on-the-news/2020/apr-2020/sole-directors-and-the-coronavirus-job-retention-scheme?utm_campaign=Members%20-%20ICAEW&utm_medium=email&utm_source=1363745_ICAEWDaily_News_01April2020&utm_content=owner&dm_i=47WY,T89T,JW2S3,3IXN3,1)

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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