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Changes to Coronavirus Job Retention Scheme from Today

A further change to the CJRS comes into play today as the amount the government will contribute towards a furloughed employee's salary drops from 80% to 70% (up to a cap of £2,187.50 per month).

This means that from today **employers must pay at least 10% on top of a CJRS grant** to ensure the furloughed employee receives 80% of their salary for the time they are furloughed.

Following a change from 1 August **employers will also have to fund the Employer National Insurance and pension contributions** for furloughed employees.

The government's salary contribution will drop again from 1 October 2020 to 60% (up to a cap of £1,875 per month) requiring an employer to pay at least 20% of a furloughed employee's salary. The scheme ends on 31 October 2020.

The government will pay a Job Retention Bonus of £1,000 per employee for each employee brought back from furlough (at any time) and continuously employed to 31 January 2021. They must earn at least £520 per month on average between 1 November 2020 and 31 January 2021.

<https://www.gov.uk/government/publications/job-retention-bonus/job-retention-bonus>

Furlough Fraud

HMRC have started the next phase of compliance activity and has written to around 3,000 employers it believes may have overclaimed. A penalty will arise if any overpayment is not repaid in time and there is a failure to notify HMRC about it.

A taxpayer must notify HMRC if they have overclaimed a CJRS grant **by 20 October 2020**, or 90 days from receipt of the grant if later than this date.

The Institute of Chartered Accountants in England and Wales (ICAEW) has reported that letters have been sent by HMRC to employers in cases where:

- The business may have claimed more CJRS grant than they are entitled to; or
- The business may not meet the conditions to receive the grant (e.g. including ineligible employees on a CJRS claim).

The letters ask employers to review their CJRS claims and contact HMRC to confirm whether there has been a mistake or not.

There are a few issues which are likely to amount to furlough fraud, such as:

- furloughing staff and not paying them the full 80% under the scheme, for example only paying 60-70% of usual pay and pocketing the rest;
- employers making backdated claims that include periods in which the employee was not working;
- pretending to hire staff (ghosting) in order to take advantage of the support payments;
- asking employees to work, whether as a 'volunteer' or 'paid on the side' or in order to get their wages topped up to 100%;
- furloughing staff (without their knowledge) while they continue to work as normal; and
- using the payments to pay for redundancy pay.

If there has been a CJRS overpayment and the employer voluntarily repays it within the time limits HMRC say it will prevent future investigations and tax liabilities. A penalty will be charged if HMRC is not notified of the overpayment and in the case of deliberate non-compliance HMRC may make details of the defaulter public.

Employment Allowance and the CJRS

The ICAEW has now had confirmation from HMRC that:

- If an employer's secondary NIC liability for 2020/21 is less than £4,000, meaning it can all be covered by Employment Allowance, then the employer should not claim for any employer's NIC under CJRS.
- Employers who still have at least £4,000 of secondary NIC available to be relieved by EA in 2020/21 after claiming under the CJRS, can claim relief under both schemes provided that the 2020/21 EA claim is not made earlier than July 2020 and therefore applies to August 2020 onwards only, thereby ensuring that EA is not claimed on NIC covered by CJRS grants.

https://www.icaew.com/insights/tax-news/2020/aug-2020/ea-and-cjrs-interaction-remains-unclear?utm_campaign=Members%20-%20ICAEW&utm_medium=email&utm_source=1523306_Faculties_TAXnewswire_01Sep20_PO&utm_content=EA%20and%20CJRS%20interaction%20remains%20unclear&dm_i=47WY,WNE2,JWL47,418I9,1

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