



# Furloughing

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# Recently....



- **Tax year start 06 April 2020**
  - **Basic Earnings Assessments (on furloughed salary)**
  - **Employment Allowance conversions**
- **Court Orders**
  - **DWP Direct Earnings Attachments suspended (April to June)**
  - **Others to follow?**
- **Filing deadlines?**
  - **P11D extension?**
  - **P60 extension?**
  - **RTI?.**

# Immediate Action



***Save HMRC's Guidance 26 March 2020 (amended 04 April 2020)***

Guidance

## **Claim for your employee's wages through the Coronavirus Job Retention Scheme**

Find out if you're eligible and how much you can claim to cover wages for employees on temporary leave ("furlough") due to coronavirus (COVID-19).

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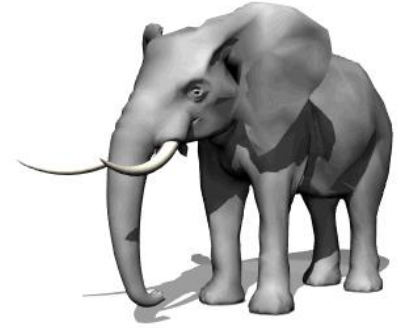
From: [HM Revenue & Customs](#)

# The CJRS



- **A temporary scheme**
  - **01 March to 31 May 2020 (initially)**
- **Supporting employers**
  - **Recovery of 80% of salary (capped at £2,500)**
  - **PLUS employer's NICs**
  - **PLUS employer's pension costs (minimum AE scheme)**
- **Retaining employees**
  - **After a contractual change**
  - **Keeping employment rights**
  - **Prevent / delay lay-offs / redundancies.**

# Action



***Remember the concept and intentions of the scheme***

- ***Retain***
- ***Pay***
- ***Reclaim***

# Interpreting the guidance



## 1. Retain the employee:

- Change to a furloughed employee
- Place on furloughed leave

## 2. Pay:

- Pay the furloughed employee
- Pay the net pay to the furloughed employee
- Declare to HMRC
- Remit to HMRC

## 3. Reclaim from HMRC:

- End April 2020.

# Retaining the Employee



- **This is a contract change**

- Updated guidance says employers must write and confirm furloughed status and retain for 5 years



- **Furloughed employees do no work under their contract**

- Nothing that '*provides services or generates revenue*'
- 2<sup>nd</sup> jobs fine.



# Retaining the Employee



- **All employees can be furloughed**

- **Only reclaims if '*on the PAYE payroll on 28 February 2020*'**
- **Care re selection of employees to furlough (discrimination)**
- **Leavers and redundancies 28 February 2020 can be re-hired**



# Action



***Employment / equality law  
considerations have not changed  
with furloughing***

# Rotational Furloughing



- **The same employees can be furloughed more than once**
- **Minimum furlough period for HMRC reclaim is 3 weeks**
- **Look out for rotational furloughing**
  - **3 weeks furloughed**
  - **One week employed**
  - **3 weeks furloughed etc**
- **Or, in the same department**
  - **Employee 1 3 weeks furloughed**
  - **Employee 1 returns to employment**
  - **Employee 2 is furloughed for 3 weeks etc.**

# Pay



- **The lower of**

- **80% of an employee's regular wage, or**
- **£2,500**

- **Excluding:**

- **Fees**
- **Commission and**
- **Bonuses**

**Where discretionary**

- **Other pay elements**

- **Think 'regular payments'**
- **Overtime, tips, allowances etc**

# Action

TAKE ACTION

A hand holding a blue marker is shown in the bottom right corner, underlining the text 'TAKE ACTION' which is written in blue, uppercase letters on a white background.

***Pay is the most important thing!***

# Pay



- **1<sup>st</sup> guidance 26 March 2020**
  - **March payroll may have been run based on this**
- **2<sup>nd</sup> guidance 04 April 2020**
  - **Employers may change reference salary values, or**
  - **Carry on with 26 March 2020 guidance, or**
  - **Change reference salary values and backdate!**
- **Justify, Justify, Justify.....**



# Pay



- **Salaried employees**
  - **Maximum HMRC reclaim is 80% of salary at 28/2/20**
- **Variable payments**
  - **Employed 12 months or more, the higher of**
    - **The same month's earnings in February 2019 or**
    - **Average monthly earnings in 2019/20**
  - **Less than 12 months**
    - **Average monthly earnings in 2019/20**
  - **February 2020 starters**
    - **February payment pro-rated.**

# Pay



- **Also.....**
- **As normal**
  - **Apprenticeship Levy**
  - **Student Loans**
- **NMW whilst working**
  - **At April 2020 rates**
- **COVID-19 is a 'lifestyle event'**
  - **Salary sacrifice withdrawals?**



# On-Costs



- ***‘Further guidance to be issued’ – 26 March 2020***
- **No mention 04 April 2020**
  - **Assume no further guidance is coming**
- **Employer NICs on**
  - **80% of the employee’s regular wage, or**
  - **£2,500 (cap)**
- **Employer pension contributions:**
  - **As if the scheme was a minimum contributions scheme**
    - **3% above**
    - **Lower Qualifying Earnings Band (LEL)**

# Warning



***Not all pension schemes are  
minimum AE contribution schemes!***

# Reclaiming from HMRC



- **No details yet!**
  - **HMRC portal late April 2020**
- **Who will be making the reclaim?**
  - **Employer or agent?**
- **Who is the contact?**
- **What is the telephone number?**
- **What is the PAYE reference number?**
- **What are the UK bank details?.**



# Action



***There is some preparation work  
that can be done now***

# Reclaiming from HMRC



- **Detail furloughed employees (total)**
  - **How are these identified in the payroll?**
  - **New pay elements ('furlough salary' etc)**
- **Calculate reclaim value**
  - **Minimum furlough leave length is 3 weeks**
  - **Therefore, claims every 3 weeks**
- **Receive funds via BACS and reconcile accounts**
  - **Employer or agent?**
- **Justify, Justify, Justify.....**

# The Maximum Reclaim



- **Salary**
  - **£2,500**
- **Employer NICs on**
  - **£2,500 (£243.98)**
- **Employer minimum pension contributions on**
  - **£2,500 (59.40)**

**Total £2,803.38 (for 2020/21).**

# Example



- **Pay to be paid to a furloughed employee**
  - **£800.00**
- **Employer NICs on**
  - **£800.00 (£9.38)**
- **Employer minimum pension contributions on**
  - **£800.00 (8.40)**

**Total reclaim = £817.78 (for 2020/21)**

# Summary



- **Save HMRC's Guidance 26 March 2020 and 04 April 2020**
- **Remember the concept and intentions of the scheme**
  - **Retain, pay then reclaim**
- **Employment / equality law considerations have not changed**
- **Watch for reclaim guidance**
  - **Some preparation work that can be done now**
- **Justify, justify, justify....**





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# Thank you



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