

CORONAVIRUS JOB RETENTION SCHEME- CLAIM PREPARATION

PREPARED BY
OPTIMAL COMPLIANCE
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JOB RETENTION SCHEME - CLAIM PREPARATION

The Government has announced that the claim system will be live from **Monday 20 April**, to claim for reimbursement of employment costs relating to furloughed employees. For more info on the Job Retention Scheme please see the Coronavirus section of our website.

We have summarised the info we have seen to date regarding the claim process so that clients can prepare information and calculations accordingly.

PREPARING A CLAIM

Claims can only be made online - you need Government Gateway logins with the PAYE service activated. Tax agents, like us or your accountants, can submit claims on your behalf if they are authorised to act for you for PAYE purposes.

HMRC say that claims will be paid within 6 working days, so should be received in time for April payroll if your team are paid at month-end.

You will need to prepare the following business info:

- Government Gateway ID and Password (we suggest you test these before Monday)
- Business bank account details (sort code and account number)
- PAYE reference (format: 123/AB1234) for the business making the claim. If you have multiple PAYE references then you will have to make multiple separate claims.
- Business tax reference: for companies this is the corporation tax UTR (10 digits) although the company registration number may also be acceptable instead (7 or 8 digits). For sole-traders and partnerships, use your personal or partnership UTR.

You will need to prepare the following employee info:

- Employee's name
- Employee's NI number
- Claim period dates (see next page)
- Claim amount (see next page)
- Employee reference / payroll number (optional)

CLAIM PERIOD DATES

The employee's claim period will begin on the day that they were furloughed. The earliest date that a claim can begin is 1 March 2020, and the minimum claim period is three weeks. At the moment the scheme is set to run until the end of June, with possible extension.

If the online system allows, we would recommend that you claim now for as long as you think the employee can reasonably be expected to be furloughed. The **Treasury Direction** dated 15 April 2020 para 8.1(a) confirms that the Government will reimburse earnings that are 'reasonably expected' to be paid to the employee: i.e. future furloughed pay can be claimed.

CLAIM AMOUNT

We would suggest that the calculation is made in line with your normal payroll periods. First, you need to compute the gross pay that is eligible for the scheme (“**eligible pay**”). In most cases this will be the employee’s regular salary plus a reasonable average of variable elements that the employee could expect to receive based on historical payments. The full guidance on eligible pay **is available here**. For employees on variable pay, you should use the higher of the same month’s earnings from the previous year, or the average monthly earnings from 2019-20.

Once you have ascertained the **eligible pay**, you need to calculate 80% of that figure, as the scheme only covers 80% of the employee’s pay. If 80% of their eligible pay is greater than £2,500, then you need to cap it at £2,500. If you are calculating on a weekly basis, the cap is £577 per week. The result is your “**capped pay**”.

For the month in which your employee’s claim period begins (and ends), you will need to pro-rate their pay for the number of days that they were furloughed.

CLAIM AMOUNT CONTINUED

For example, if your employee was furloughed on 20 March, days 1 to 19 would not be eligible for the scheme, but days 20 to 31 (12 days) would. You need to apply this fraction (12/31) to each element of pay which qualifies for reimbursement under the scheme. Note that calculations should use the **calendar day method** (1/365) rather than working days (1/260). The pay elements that can be reimbursed are as follows:

- Gross pay including fixed and regular variable elements
- Employer's NICs
- Pension contributions at the minimum statutory amount (3%) on **qualifying earnings** (not on full pay - if you calculate your pension on full pay then you will need to recalculate it on qualifying earnings for this purpose).

Where the employee has been furloughed for a whole month, you can leave this step out and claim for the whole month's capped pay.

We would recommend that clients **do not claim the Employment Allowance** until later in the tax year to ensure that the amount of employer's NICs that is eligible for reimbursement is not reduced by the amount of Employment Allowance claimed. This is because the claim for Employer's NICs is restricted to the total amount of Employer's NICs **paid** (or payable) for the period (para 8.4 of the Direction).

EXAMPLE FOR MARCH PAY PERIOD

Gross Pay

Employee A is on a regular salary of £35,000 per annum and on average receives variable pay of £500 per month. Their **eligible pay** is therefore $(£35,000 / 12) + £500 = £3,417$. 80% of their eligible pay is £2,733, which is over the cap, so must be reduced to £2,500, which is their **capped pay**.

Employee A was furloughed on 20 March, so the employer can claim from 20 March to 31 March for their pay: $(12 \text{ days} / 31 \text{ days}) \times £2,500 = \mathbf{£968}$.

From 1 to 19 March Employee A is also due £2,094 of normal pay.

EXAMPLE FOR MARCH PAY PERIOD

Employer's NICs

To calculate the amount of employer's NICs that can be claimed you must pro-rate the NICs due for the whole pay period. The NICs-free allowance is £732 per month (£169 per week), above which NICs are charged at 13.8%.

For Employee A this would be calculated as follows:

1. The amount of total pay subject to NICs should be calculated: $(£2,094 + £968) \text{ minus } £732 = £2,330$
2. The result should be multiplied by the NICs rate:
 $£2,330 \times 13.8\% = £322$ which is the total amount of NICs due on all pay in the period.
3. The total amount of NICs due should be pro-rated for the number of furlough days: $£322 \times (12 \text{ days} / 31 \text{ days}) = \mathbf{£125}$.

The employer can claim **£125** reimbursement of employer's NICs. If, during the furlough period, you are topping up the government's 80% contribution, then you should multiply the result of step 3 by 80% to arrive at your claim amount.

EXAMPLE CONTINUED

Employer's pension contributions

You can claim for reimbursement of the employer's pension contributions due on the furlough pay only. The qualifying earnings threshold is £520 per month from 6 April (£512 per month to 5 April), above which employer pension contributions are due at 3%.

For Employee A this would be calculated as follows:

1. The qualifying earnings threshold should be pro-rated for the number of furlough days: $(12 \text{ days} / 31 \text{ days}) \times £512 = £198$.
2. The amount of furlough pay subject to employer's pension contributions should be calculated: $£968 \text{ minus } £198 = £770$.
3. The result should be multiplied by the pension rate: $£770 \times 3\% = \mathbf{£23}$.

The employer can claim **£23** reimbursement of employer's pension contributions.

The total claim that can be made for Employee A for March is $£968 + £125 + £23 = £1,116$.

This calculation example was updated on 20 April following amendments made by the Government to the calculation method for employer's NICs and pension contributions. The original calculation example was based on Paragraph 8 of the [Treasury Direction](#) issued on 15 April 2020. All guidance may be changed by the Government at any time without notice.

WE ARE HERE TO HELP

We understand that these calculations are rather complicated and we will assist clients where possible to work out what they can claim. **Please get in touch with your client manager in the first instance if you would like our help.**