



WELCOME

to

The WSM 20 Minute Tax Update

The Coronavirus Job Retention Scheme

Have you got it right?

The Presentation will start at 2pm

WSM  **BUSINESS ADVISORY**
TAX - ACCOUNTING - ASSURANCE

21 April 2020

INTRODUCTION

Quickfire 20 minute presentation

Please stay on mute

Questions at end or by e-mail

AGENDA

Eligible Employers

Furloughed Employees

Basic Traps to avoid

Calculating the Grant

Making a claim

Questions

The Coronavirus Job Retention Scheme

Eligible Employers

- All UK employers with a UK bank account
- Created and registered a PAYE scheme and enrolled for PAYE online on or before 19 March 2020
- All businesses qualify + charities
- Domestic worker schemes also qualify (eg a nanny)

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Period of scheme

- 1st March to 30th June 2020 (initially)
- But not possible to furlough an employee prior to 19th March 2020
- So only relevance of period from 1st to 19th March is where staff had already been made redundant as a result of Coronavirus. These employees can be re-employed and furloughed, and then a claim can be made from the date they were originally made redundant (or 1st March if later)

Furloughed Employees

- Notified to HMRC on a RTI return prior to 19th March 2019
- instructed by the employer to cease all work in relation to their employment
- Minimum 3 week period
- the instruction is given by reason of circumstances arising as a result of coronavirus or coronavirus disease.

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Traps

- Employment Law (equality and discrimination issues)
- Effective date is 29th February NOT 19th March for monthly paid staff
- The employer and employee must agree in writing (email OK) that the employee will cease all work in relation to their employment
- There needs to be a written record, but the employee does not have to provide a written response. A record of this communication must be kept for five years.

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Traps

- All work must cease and how will HMRC check
- Directors may fulfil a duty or other obligation arising by or under an Act of Parliament relating to the filing of company accounts or provision of other information relating to the administration of the company
- Employees may undertake training activities
- Employees may undertake work elsewhere, paid or voluntary

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The Grant

The Lower of:

- £2,500 per month; and
- 80% of the employee's reference salary (see later)

PLUS:

- employer's national insurance on the above amount (**NOT** 80% of the employer's national insurance); and
- Employer's pension contribution on the above amount up to a maximum of 3% (again not 80%)

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Example:

John is paid £2,000 per month. The employer's NI on that salary is £174 per month and the employer contributes 3% of his monthly salary in excess of the threshold of £520 per month = £44 per month. John is furloughed under the CJRS on 80% of reference salary i.e. £1,600 per month.

Wrong Calculation:

$$80\% \times (\pounds 2,000 + \pounds 174 + \pounds 44) = \pounds 1,774$$

Correct Calculation:

$$80\% \times \pounds 2,000 = \pounds 1,600$$

$$+ \text{Eers NI on salary of } \pounds 1,600 = \pounds 119$$

$$+ 3\% \text{ Pension on salary of } \pounds 1,600 = \pounds 32$$

$$\text{TOTAL} = \pounds 1,751$$

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Reference Salary

Fixed rate employee = monthly salary paid in latest salary period ending on or before 19 March 2020.

Other employees = the greater of:

- a) the average monthly amount paid to the employee for the period comprising the tax year 2019-20 before the period of furlough began, and
- (b) the actual amount paid to the employee in the corresponding calendar period in the previous year.

**IN EACH CASE EXCLUDING ANYTHING WHICH IS NOT
REGULAR WAGES**

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Regular wages

MEANS so much of the amount of salary or wages as:

- (a) cannot vary according to performance of the business or the employee or at the discretion of the employer
- (b) is not conditional on any matter
- (c) is not a benefit of any other kind, and
- (d) arises from a legally enforceable agreement, understanding, scheme, transaction or series of transactions.

Bonuses, performance related pay, commissions etc must all be excluded

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Making a Claim

HMRC Online portal opened 20th April 2020

- Claims for less than 100 employees must be input manually line-by-line
- Claims for more than 100 employees can be uploaded electronically eg on spreadsheet
- Need details of furloughed employees (furlough dates, names, NI numbers) and company's UK bank account details for receiving payment
- Claims should be paid within 6 working days

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Making a Claim - Process

- You can only claim for periods when your employee was on furlough.
- You cannot make more than one claim during a claim period - you should make your claim shortly before or during running payroll.
- You must claim for all employees in each period at one time – you cannot make changes to your claim.
- You can make your claim in anticipation of an imminent payroll run (maximum of 2 weeks), at the point you run your payroll or after you have run your payroll.
- The claims process is simple but the calculations are quite complex. Be aware.

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Other Points

- The employee must be paid as a minimum the amount of the grant
- If the employer does not have the money to pay the employee, there is no grant.
- The employer can top up the employee's wages to the normal salary if they want.
- How will all this be paid for? Rumours that national insurance will go up to 14% for each of employees and self-employed from April 2021

Further Information

Questions or feedback:

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