

Government guidance: Coronavirus Job Retention Scheme



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The Coronavirus Job Retention Scheme is a temporary scheme open to all UK employers for at least three months starting from 1 March 2020. Employers can use the scheme at any time during this period to assist with the payment of employee remuneration.

The DWP has clarified the auto-enrolment implications of its Coronavirus Job Retention Scheme for furloughed employees.

The scheme will include an allowance for the three per cent minimum employer auto-enrolment contributions, as well as employer national insurance liabilities on up to £2,500 a month.

Members will be expected to pay their own minimum contributions from ongoing pay and while they can opt out, this would mean losing valuable employer contributions.

The Coronavirus Job Retention Scheme is a temporary scheme open to all UK employers for at least three months starting from 1 March 2020. It's expected to be up and running by the end of April. Employers can use the scheme at any time during this period.

The scheme is open to all UK employers that had created and started a PAYE payroll scheme on, or before, 19 March 2020.

Employer National Insurance and Pension Contributions

Employers can claim a grant from HMRC to cover the lower of 80% of an employee's regular wage or £2,500 per month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that subsidised wage. Fees, commission and bonuses should not be included. An employer can also choose to top up an employee's salary beyond this but is not obliged to under this scheme.

Employer National Insurance Contributions and automatic enrolment contribution on any additional top-up salary will not be funded through this scheme. Nor will any voluntary automatic enrolment contributions above the minimum mandatory employer contribution of 3 per cent of income above the lower limit of qualifying earnings (which is £512 per month until 5 April and will be £520 per month from 6 April 2020 onwards).

Employees you can claim for

You can only claim for furloughed employees that were on your PAYE payroll on, or before, 19 March 2020 and which were notified to HMRC on an RTI submission on or before 19 March 2020.

These personnel include:

- full-time employees
- part-time employees
- employees on agency contracts; and
- employees on flexible or zero-hours contracts.

The scheme also covers employees who are re-hired by their employer after 19 March 2020. However, these employees must have been on your payroll as of 28 February 2020.

To be eligible for the subsidy, when on furlough, an employee can not undertake work for or on behalf of the organisation. This includes providing services or generating revenue. While on furlough, the employee's wage will be subject to usual income tax and other deductions.

When the government ends the scheme

When the government ends the scheme, employers must make a decision, depending on their circumstances, as to whether employees can return to their duties. If not, it may be necessary to consider termination of employment (redundancy).

Employees that have been furloughed

Employees that have been furloughed have the same rights as they did previously. That includes Statutory Sick Pay entitlement, maternity rights, other parental rights, rights against unfair dismissal and to redundancy payments.

Once the scheme has been closed by the government, HMRC will continue to process remaining claims before terminating the scheme.

Income tax and Employee National Insurance

Wages of furloughed employees will be subject to Income Tax and National Insurance as usual. Employees will also pay automatic enrolment contributions on qualifying earnings, unless they have chosen to opt-out or to cease saving into a workplace pension scheme.

Tax treatment of the Coronavirus Job Retention Grant

Payments received by a business under the scheme are made to offset these deductible revenue costs. They must therefore be included as income in the business's calculation of its taxable profits for Income Tax and Corporation Tax purposes, in accordance with normal principles.

Businesses can deduct employment costs as normal when calculating taxable profits for Income Tax and Corporation Tax purposes.

Contact us

If you would like further information or assistance, please do not hesitate to contact your Lucas Fettes Financial Planning adviser, call us on 01603 706 820 or email info@lffp.co.uk.

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