



## **CORONAVIRUS (COVID-19) JOB RETENTION SCHEME (CJRS) [CJRS V2 - EXTENSION TO 31<sup>ST</sup> OCTOBER 2020 – ADDITIONAL GUIDANCE]**

### **BACKGROUND**

Given the success of the CJRS scheme so far in retaining employees in their employment, and the ongoing effects of the 'lockdown' on business activities, the Government announced that the scheme **will be extended through to 31<sup>st</sup> October 2020.**

The main changes to the original CJRS scheme applicable to businesses during the extended period (CJRS V2) are that:

- **From 1 July 2020** – Employers have the flexibility to bring **'furloughed'** employees back into the business on a part time basis. Employers will therefore pay for the **'worked'** hours while still receiving a reimbursement from HMRC for **'non worked'** hours during the remaining period of the scheme.
- **From 1 August 2020** - Employers will have to contribute an increasing amount of **'furloughed'** employees 'wages', Employers NI costs and pension contributions each month

### **FINANCIAL IMPACT OF CHANGES (JULY 2020 THROUGH TO OCTOBER 2020)**

The update to the scheme means that the following will now apply for Employers in respect of the HMRC reimbursement for employees that are **'furloughed'**:

- **During both June and July 2020** - the extended CJRS scheme will continue to operate as per the original scheme (CJRS V1) has operated to date i.e. **HMRC will pay 80% of employee wages up to a maximum of £2,500, in addition to Employer NI and pension contributions.**
- **From 1 July 2020** - Employers can bring back some (or all) 'furloughed' employees to undertake work for the business on a 'flexible' basis **AND STILL claim from HMRC under the CJRS scheme for the hours not worked (with the claim amounts being 'pro rated')**
- **During August 2020** - the extended CJRS scheme will operate with HMRC paying 80% of employee wages up to a maximum of £2,500 per month, **BUT Employers will now be required to pay any applicable Employer's NI costs and pension contributions**
- **During September 2020** - the extended CJRS scheme will operate with HMRC paying 70% of employee wages up to a maximum of £2,187.50 per month, **BUT Employers will now be required to pay 10% of employee wages and any applicable Employer's NI costs and pension contributions.**

**NOTE** - Employees will still continue to receive 80% of their wage up to a maximum of £2,500 in the payroll run.

- **During October 2020**, the extended CJRS scheme will operate with HMRC paying 60% of employee wages up to a maximum of £1,875 per month, **BUT Employers will now be required to pay 20% of employee wages and any applicable Employer NI costs and pension contributions.**

**NOTE** – Employees will still continue to receive 80% of their wage up to a maximum of £2,500 in the payroll run.

Wage caps are proportional to the hours not worked.

	July	August	September	October
Government contribution: employer NICs and pension contributions	Yes	No	No	No
Government contribution: wages	80% up to £2,500	80% up to £2,500	70% up to £2,187.50	60% up to £1,875
Employer contribution: employer NICs and pension contributions	No	Yes	Yes	Yes
Employer contribution: wages	-	-	10% up to £312.50	20% up to £625
Employee receives	80% up to £2,500 per month	80% up to £2,500 per month	80% up to £2,500 per month	80% up to £2,500 per month

## CJRS V2 REIMBURSEMENT/GRANT CLAIM CONDITIONS AND 'FURLOUGH' ISSUES

- There are no changes to CJRS scheme claim or reimbursement grants in July 2020.
- 31 July 2020 is the last day that you can submit claims for periods ending on or before 30 June.
- Employers do not need to place all employees on **'furlough'** and can continue to fully **'furlough'** employees as necessary. Employees cannot undertake any work during the time that they are on **'furlough'**.
- Employers will continue to be able to choose to top up employee wages above the 80% total and £2,500 cap for the hours not worked at their own expense if they wish.
- Where an employee who is on **'furlough'** takes holiday leave, the Employer is required to pay their usual holiday pay in accordance with the Working Time Regulations i.e. **obliged to pay employees who are on holiday additional amounts over the CJRS reimbursement claim.**
- From 1 July 2020, only employees that have been put on **'furlough'** between March and June 2020, will be eligible for further grants under the scheme i.e. they must have previously been **'furloughed'** for at least 3 consecutive weeks between 1 March 2020 and 30 June (**with the last day an employee could have started furlough for the first time being 10 June 2020**).
- Where a previously **'furloughed'** employee starts a new furlough period before 1 July 2020, then this furlough period must be for **a minimum of 3 consecutive weeks**. This is the case regardless of whether the 3 consecutive week minimum period ends before or after 1 July.
- The number of employees that an Employer can claim for in any claim period starting from 1 July 2020, cannot exceed the maximum number of employees claimed for under the original CJRS scheme to 30 June 2020. (**subject to employees returning from maternity leave etc.**)

- Where an Employer '**flexibly furloughs**' an employee, this will need to be agreed with the employee, and a written record kept that confirms the new '**furlough**' arrangement e.g.
  - ensure that the agreement is consistent with employment, equality and discrimination laws
  - keep a written record of the agreement for five years **AND**
  - keep records of how many hours your employees work and the number of hours they are furloughed
- Where an Employer decides to '**flexibly furlough**' an employee, they are required to pay the employee **in full** for the hours worked.
- Although '**flexible furlough**' agreements can last any amount of time, the minimum period must be a **minimum of 7 calendar days**.

## UPDATED CLAIM/REIMBURSEMENT ISSUES UNDER CJRS V2

- Claim periods starting on or after 1 July 2020, **must start and end** within the same calendar month, **AND** must last at least 7 days, **UNLESS** claiming for the **first few days** or the **last few days** in a month.
- Employers should match the CJRS scheme claim period to the dates that payroll is processed e.g. only make one claim for any period even if employees are paid at different times and avoid any gaps in between the date of each claim.
- From 1 July 2020, the CJRS scheme rules will change each month i.e. this means that claim periods starting on or after 1 July 2020 **must start and end within the same calendar month**.
- However where an Employer's payroll period includes days in more than one month e.g. two weekly payroll periods, **separate claims covering the days that fall into each month will need to be made to HMRC**
- **Please note** that claims by Employers for employees that are on '**flexible furlough**', should not be made until **the Employer is clear as to the exact number of hours they will have worked during the claim period**
- Where a claim is **made in advance**, but the employee works for more hours than on the claim, then some of the grant/reimbursement will need to be repaid to HMRC (**see claim errors below**)
- When calculating the Employer's National Insurance (NI) as part of a claim or reimbursement, the amount of **any Employment Allowance** that has been claimed as part of the Employer's payroll for that period, should be excluded
- **Where an error has been made in a prior CJRS scheme claim to HMRC**, this must be repaid as part of the next claim under the scheme i.e. there is no need to take further action, but the Employer should keep a record of this adjustment for six years.
- There are specific rules under the CJRS scheme for employees that **return to work from maternity leave etc.** from 1<sup>st</sup> July 2020.



- Amounts received by an Employer under the CJRS scheme should 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 i.e. however this will offset the employment costs as normal when calculating taxable profits

## EXAMPLES – EXTENDED CJRS SCHEME V2

1. **Previous 'furloughed' employee** - A previously furloughed employee can start a new furlough period on 22 June which would have to continue for at least 3 consecutive weeks ending on or after 12 July.

After this the employee can then be flexibly furloughed for any period

However, after 1 July, employers cannot make claims that cross calendar months, so the employer will need to make a separate claim for the period up to 30 June.

2. **Example of a first claim** – Where an Employer who furloughs two employees at the start of the pay period and adds a third a short time later.

The start date of the claim period is when the first employee was put on furlough.

The employer should include all employees who were furloughed during this claim period, even if they were put on furlough at different times within the period or are paid at different times in the pay period.

The claim is then made 6 days before the end of the pay period, ensuring that the grant is available to be paid out then

3. **Example of a second claim** – Where an employer who makes another claim after the first one has ended.

Two employees have been furloughed continuously since the first claim, and the claim periods follow on with no gaps in between the dates – though one returns to work before the end of the pay period.

One employee worked for two days at the start of the second period but is then furloughed again.

The employer should include all employees who were furloughed during this claim period, even if they were put on furlough at different times or are paid at different times in the pay period.

The claim is made 6 days before the end of the pay period, ensuring that the grant is available to be paid out then.