12 PAY

By IRIS

COVID-19, Furloughed Employee & Job Retention Scheme Payroll Processing Changes and Important Dates, inc. Furlough Extension

May 2021

Contents

Coronavirus Job Retention Scheme (CJRS)

The Coronavirus Job Retention Scheme has been subject to numerous changes; here we will summarise the changes from April 2021.

Which employees can I claim for?

For periods ending on or before 30 April 2021, you can claim for employees who were employed on 30 October 2020, as long as you have made a PAYE Real Time Information (RTI) submission to HMRC between 20 March 2020 and 30 October 2020, notifying a payment of earnings for that employee. You do not need to have previously claimed for an employee before 30 October 2020 to claim for periods from 1 November 2020.

For periods starting on or after 1 May 2021, you can claim for employees who were employed on 2 March 2021, as long as you have made a PAYE Real Time Information (RTI) submission to HMRC between 20 March 2020 and 2 March 2021, notifying a payment of earnings for that employee. You do not need to have previously claimed for an employee before 2 March 2021 to claim for periods from starting on or after 1 May 2021.

If your employee has more than one job or other duties

If your employee has more than one job

If your employee has more than one employer, they can be furloughed for each job.

Employees can be furloughed in one job and receive a furloughed payment but continue working for another employer and receive their normal wages.

If your employee had multiple employers over the last year

If an employee has had multiple employers over the past year, has only worked for one of them at any one time, and is being furloughed by their current employer, their former employers should not re-employ them, put them on furlough and claim for their wages through the scheme.

How much can you claim?

For periods ending on or before 30 June 2021 you can claim 80% of an employee's usual salary for hours not worked, up to a maximum of £2,500 per month. You must pay your employee at least 80% of their usual wages for the hours they are furloughed and not working. The level of grant that can be claimed reduces from 1 July 2021.

Employers will not be required to contribute to, or top-up the employee's pay for the hours not worked. You will still need to pay employer National Insurance contributions and employer pension contributions, and you cannot claim for these.

You can choose to top up your employees' wages above the minimum 80% furlough pay amount but, you do not have to. Employees must not work or provide any services for the business during hours which they are recorded as being on furlough, even if they receive a top-up wage.

If your employee is flexibly furloughed, which means they are working reduced hours rather than stopping work completely, you must pay them their full current contracted rate for any hours they work. You cannot claim a grant towards the hours the employee works.

Changes to the level of grant from 1 July 2021

From 1 July 2021, the level of grant will be reduced, and you will be asked to contribute towards the cost of your furloughed employees' wages. To be eligible for the grant you must continue to pay your furloughed employees 80% of their wages, up to a cap of £2,500 per month for the time they spend on furlough.

The following table shows the level of government contribution available in the coming months, the required employer contribution, and the amount that the employee receives per month where the employee is furloughed 100% of the time.

Wage caps are proportional to the hours not worked.

	May	June	July	August	Sept
Government contribution: wages for hours not worked	80% up to £2,500	80% up to £2,500	70% up to £2,187.50	60% up to £1,875	60% up to £1,875
Employer contribution: employer National Insurance contributions and pension contributions	Yes	Yes	Yes	Yes	Yes
Employer contribution wages for hours not worked	No	No	10% up to £312.50	20% up to £625	20% up to £625
For hours not worked 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	80% up to £2,500 per month

You can continue to choose to top up your employees' wages above the 80% total and £2,500 cap for the hours not worked at your own expense.

What the software will and will not do

Will do

You must continue to pay furloughed staff 80% of their pay, using the furlough payments previously identified in the Payments/Deductions section. A furloughed employee must be paid 80% of their wages in July, August and September, even though the employer cannot claim all the 80% payment back. The software will automatically calculate the reclaim value for you when you create the CSV output file.

All claim periods must fall within a calendar month and so you will not be able to enter a claim date range that spans across multiple calendar months e.g. you cannot claim for 16th June to 15th July. You can claim for 16th to 30th June then make a separate claim in July.

If you are not flexibly furloughing any employees and you have employees that remain furloughed, the software will be able to calculate the reclaim values when you create the CSV output file.

You must enter a Furlough From Date for any flexibly furloughed employees as they are still considered furloughed.

Will not do

If you are flexibly furloughing employees, the software will not be able to calculate the reclaim values accurately and so you will not be able to create the standard CSV output file. You will need to use the spreadsheet we have provided with the update.

What to do in 12Pay

Step 1 - Enter Your Furlough Dates

In the **Employee** form | **Furlough** tab, enter your employee's **Furlough Start** and **End** dates. If you do not know the **Furlough End** date, this can be left blank.
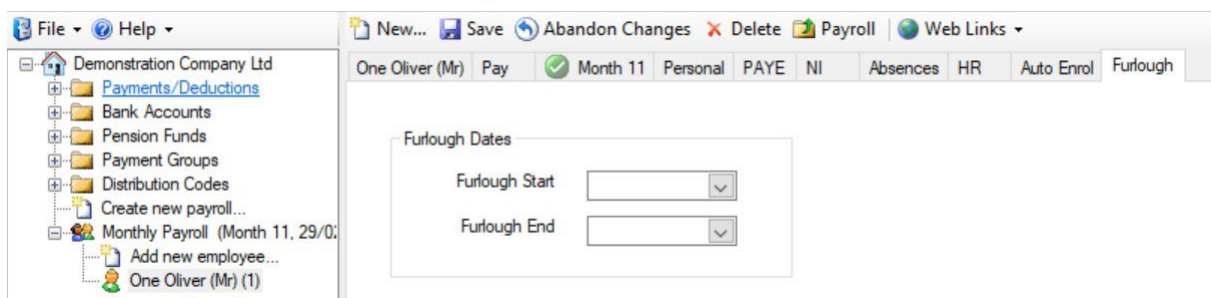
Step 2 - Make Furlough Payments

The next step is to calculate pay for the periods where your employees are furloughed. The recommended way is to create a separate payment/deduction for the 80% Furlough Payment. If you want the employee to be paid at their normal rate, we also recommend you create another payment/deduction for the remaining 20% of their pay.

Do not worry if you have already calculated payroll for furloughed employees and did not create separate payments/deductions, as you will still be able to create the file to upload to HMRC or the new spreadsheet we have provided – you will just need to add some more information manually.

Salaried Employees

For salaried employees we recommend you create a new payment with a name that is easily identifiable e.g. Furlough Payment or Furlough Payment 80%.

To do this:

1. Go to **Employer | Payments/Deductions**

2. Then **Create new payment/deduction...**

3. Enter a short unique code that easily identifies the payment, for example for **FURLOUGH** (you could use something like **FRLGH1** if you intend to set up more than one – for instance one for salaried employees and one for hourly)

4. In the box to the right of **Code**, enter your chosen description e.g. Furlough 80%

5. Ensure the following are all ticked:

   - Before Tax
   - Before NI
   - Before Pension
   - Qualifying Earnings
   - Furlough Payment

We also recommend you leave **Standard Payment** and **Variable Payment** ticked

Once saved, you will be able to use the new payment to pay your employees 80% of their usual pay. You must calculate the values to pay yourself as the system cannot do it for you.

Hourly Paid employees

For hourly paid employees we recommend you create a new payment, with a name that is easily identifiable e.g. Furlough Payment or Furlough Payment 80%.

To do this:

1. Go to **Employer | Payments/Deductions**

2. Select **Create new payment/deduction...**

3. Enter a short unique code that easily identifies the payment, for example for **FURLOUGH** (you could use something like **FRLGH2** if are setting up a second payment – you may have created one for salaried employees)

4. In the box to the right of **Code**, enter your chosen description

Ensure the following are all ticked:

- **Before Tax**
- **Before NI**
- **Before Pension**
- **Qualifying Earnings**
- **Furlough Payment**

We also recommend you leave **Standard Payment** and **Variable Payment** ticked

5. In the **Advanced** tab, tick **Hours Rate Pay Payslip**

Once saved, you can use the new payment to pay your employees 80% of their usual pay.You must calculate the rates to pay yourself as the system cannot do it for you.

> **Note: If you are flexibly furloughing employees, even if you normally pay salary, you <u>must</u> pay your employees using hourly rates for their part-timehours (the hours they have worked) and their furlough hours.**

Step 3 – Enter required fields

If your employees meet the requirements to be included on the claim output file e.g. your employees are not flexibly furloughing, you can still create the output file. In order to submit your claim, HMRC require information to identify where the claim is coming from. It is most likely that you will have already entered these details, but it is worth checking before starting to create the claim file:

In the **Employer Form**, ensure the following fields are completed:

- Employer name
- Contact Details (located on the **Furlough** tab)
  - Contact Name
  - Contact Tel No
- Tax Reference
- One of the following fields:
  - Company Tax Reference
  - Self-Assessment UTR
  - Company Registration Number (located on the **Furlough** tab)

You should also ensure that the **Employer Bank Account details** (located on the **Payments** tab) are entered as this is where the reclaim payment will be sent. However, if the reclaim payment is to be sent to an alternative bank account, you will need to complete the **Alternative Bank Details** section on the **Furlough** tab.

Step 4 – Job Retention Scheme Claim screen

Create CSV Output File

Once you have calculated pay and have entered the required fields, you can create the CSV output file, which can be uploaded directly to the Job Retention Scheme portal, where applicable.

In 12Pay, you will need to use the spreadsheet we have provided with the update for flexibly furloughed employees.

From the Employer form, select Export – Job Retention Scheme.

In the screen displayed, select the Claim Period that you are making the furlough claim for. If you have weekly and monthly paid employees, they must all be included in a single claim.

Take care when entering the Claim Period. You can only make a single claim for the same claim period and the dates must fall within the same calendar month. Your claim period cannot cross calendar months e.g. 27th July to 2nd August.

We have updated the **Job Retention Scheme Claim** screen to include separate columns for **Furlough Pay** and Reclaimable **Furlough Pay**.

If you have topped up all furlough payments so that employees receive 100% of their normal pay, tick Auto Calculate Top-up. This will populate the Furlough Top Up column with the additional percentage.

Ensure that the employees who received a furlough payment in the selected Claim Period, but are not flexibly furloughed or paid furlough via an hourly rate, are selected by ticking/un-ticking the Include option. Employees who received a payment where the Furlough indicator was ticked will already be selected.

This screen is where the Furlough Reclaim calculations are made. In this screen you can view and edit the values used in the Furlough Reclaim calculation and the software will automatically calculate the reclaim amounts.

Select **Create CSV File**.

Note: We do not recommend using the CSV file for flexibly furloughed employees/employees paid furlough via an hourly rate. However, if you choose to do so you will need to make manual amendments to the contents of the file before uploading it to the Job Retention Scheme portal – includingadding their normal hours, actual hours worked and the hours the employees were flexibly furloughed for.

Create Export File

If you flexibly furlough employees, i.e. they have returned to work part time and are furloughed for the remaining hours they would have normally worked, we have provided a spreadsheet to help you with the calculation.

From the **Employer** form, select **Export – Job Retention Scheme**.

In the screen displayed, select the **Claim Period** that you are making the furlough claim for. You cannot process multiple claims for the same date range – if your employees are paid by different pay frequencies e.g. weekly, monthly, you must include all applicable pay periods in a single claim.

Take care when entering the **Claim Period**. You can only make a single claim for the same claim period and the dates must fall within the same calendar month. You cannot claim across calendar months e.g. 27th July to 2nd August.

Ensure that the employees who received a furlough payment in the selected Claim Period, but are flexibly furloughed, are selected by ticking/un-ticking the **Include** option.

Select all employees who received furlough pay in the period selected, even if you did not pay furlough as a specific payment/deduction (for example, you might have included the furlough payment as part of the normal salary value).

Select **Create Export File**.

During the export process, the furlough information will be exported directly into the Import tab of the spreadsheet that we have provided with the update.

Once the export process is complete, open the spreadsheet and click into the **Import** tab - you will now see the data that you have exported from the software. You should find that the spreadsheet opens automatically, however, if for some reason it does not browse to the location of the spreadsheet that was provided with the update.

If the standard export process fails, you will need to follow some additional steps to import your data into the spreadsheet:

- Browse to the location where you have saved the export file
- Open the exported file
- Highlight and copy the contents displayed in the file
- Browse to the location of the spreadsheet that was provided with the update. By default, this will be the program installation folder
- Open the spreadsheet and paste the information into the **Import** tab. To ensure that that information is pasted into the correct fields, click into the first field listed below the headings - when the spreadsheet is empty, this will be field A3, then paste the data. You will now see the data that you have exported from the software

It is important to note that not all the required information is available to be exported. You may need to enter some required details manually.

The following fields may require manual input, where applicable:

- **Pay Period Start Date** (column I) – this is the start date of the work period
- **Pay Period End Date** (column J) – this is the end date of the work period
- **Part Time Furlough Hours in Pay Period (Hrs)** (column N) – this is the number of hours worked by any flexibly furloughed employee in the pay period
- **Pay for Part Time Furlough Hours in Pay Period (£)** (column O) – this is the value of the hours worked by any flexibly furloughed employee in the pay period
- **Furlough Hours in Claim Period** (column R) – this is the number of furlough hours paid to any furloughed employee for each period included in the claim period
- **Pay for Furlough Hours in Claim Period (£)** (column S) – this is the value of the furlough hours paid to any furloughed employee for each period included in the claim period
- **Part Time Furlough Hours in Claim Period** (column T) – this is the number of furlough hours paid to any flexibly furloughed employee for each period included in the claim period
- **Pay for Part Time Furlough Hours in Claim Period (£)** (column U) – this is the value ofthe furlough hours paid to any flexibly furloughed employee for each period included inthe claim period

Note: There may be other fields where you need to enter the information manually ormake amendments to the exported information. It is important, and is your responsibility, that you check the information included in the spreadsheet thoroughlyto ensure that the furlough reclaim calculation is correct.

When you are happy with the information included for your furloughed employees on the Import tab, select the **Detail** tab and click the **Get Data** button. The information is imported into the Furlough Calculator and the Furlough Reclaim calculation will be performed for you where possible.

We have included some examples of the Furlough Calculations process towards the end of thisguide.

Click on the **Generate Export File** button to export the data into the **Export** tab of the spreadsheet. This tab is in the same format is the CSV output file. You can then save this as a separate file and upload to the HMRC portal.

Step 5 – Print the Furlough Reclaim Report

Once you have checked the values in the **Job Retention Scheme Claim** screen, click the **Print Report** button for a copy of the **Furlough Reclaim** report for your records. This report contains all the values from the **Job Retention Scheme Claim** screen.

We have updated the **Furlough Reclaim** report to include separate columns for **Furlough Pay** and **Furlough Reclaim**.

It is important that you print this report, even though it is only for your records and not submitted to HMRC, as the values in the Job Retention Scheme Claim screen are not saved within the software. The report can also be used as an aide to assist you if you are not uploadinga file to HMRC for the Furlough Reclaim, or creating the spreadsheet we have provided, and are inputting the values manually on the Job Retention Scheme portal.

Please note: to report employees who are flexibly furloughing to HMRC, you are required to know their normal hours worked, the actual hours worked and the furloughed hours. This report does not include this information.

Furlough Payment Reclaim

Up to the end of June, the employer can recover all their furlough payment, i.e. 80% of employees' pay.

From July 1st, you should still enter 80% of employee wages as furlough payment, because that is what is due to the employee. The reclaim calculation will adjust the entered 80% to 70% (i.e. Furlough Pay / 80% * 70%) e.g. if an employee normally gets £1000 per month and you are paying them £800 furlough pay, the reclaim value in July will be £700.

From August 1st (and the same in September) you should still enter 80% of employee wages as furlough payment because that is what is due to the employee. The reclaim calculation will adjust the entered 80% to 60% (i.e. Furlough Pay / 80% * 60%) e.g. if an employee normally gets £1000 per month and you are paying them £800 furlough pay, the reclaim value in August (and if required in September) will be £600.

Examples

Full Month is a single pay period

Monthly Paid from 1 to end of month - June

Employee is normally paid £1250 per month so 80% furlough pay = 1000.00

1. User enters a claim period e.g. 1 June to 30 June

2. Employee furloughed for whole month

3. Furlough pay = 1000.00. Furlough reclaim = 1000.00

Monthly Paid from 1 to end of month - July

1. User enters a claim period e.g. 1 July to 31 July

2. Employee furloughed for whole month

3. Furlough pay = 1000.00.

4. Furlough reclaim = 1000 /80% * 70% = £875.00

Monthly Paid from 1 to end of month - August

1. User enters a claim period e.g. 1 August to 31 August

2. Employee furloughed for whole month

3. Furlough pay = 1000.00. Furlough reclaim = 1000 /80% * 60% = £750.00

Monthly Paid from 1 to end of month - September

1. User enters a claim period e.g. 1 September to 30 September

2. Employee furloughed for whole month

3. Furlough pay = 1000.00. Furlough reclaim = 1000 /80% * 60% = £750.00

Full Month is a single pay period (part-time hours)

These examples are the same as the previous example unlike last year when Employer Pension and Employer NI could be reclaimed. The reclaim is simply based on the amount of furlough payment.

Full Month is a single pay period (part-month furlough)

Monthly Paid from 1 to end of month - July

1. User enters a claim period e.g. 1 July to 31 July

2. Employee furloughed up to 23 July

3. Furlough pay = 1000.00. Furlough reclaim = 1000 /80% * 70% = £875.00

Full Month is a single pay period (part-month furlough, part-time hours)

Monthly Paid from 1 to end of month - July

1. User enters a claim period e.g. 1 July to 31 July

2. Employee furloughed up to 23 July

3. Part-time pay = 30 Hours at £10 = £300.00

4. Furlough Pay = 66.45 Hours at £8 = £531.10 Furlough Reclaim = 531.10/80% * 70% = 464.71

Examples – Monthly Pay periods in two calendar months

Monthly paid on 16th of previous month to 15th of current month

Claim 1 to 31 July

Month 4 payment 1 to 15 July

1. Employee furloughed for whole period. 16 June to 15 July (30 days)

2. Furlough pay = 1000.00 in pay period. Furlough reclaim = 1000.00/30*15 = 500/80%*70% = 437.50

Month 5 payment 16 to 31 July

3. Employee furloughed for whole period. 16 July to 15 August (31 days)

4. Furlough pay = 1000.00 in pay period. Furlough reclaim = 1000.00/31*16 = 516.13/80%*70% = 451.61

Total for July

Furlough Reclaim = 437.50 + 451.61 = 889.11

Claim 1 to 31 August

Month 5 payment 1 to 15 August

1. Employee furloughed for whole period. 16 July to 15 August (31 days)

2. Furlough pay = 1000.00 in pay period. Furlough reclaim = 1000.00/31*15 = 483.87/80%*60% = 362.90

Month 6 payment 16 to 31 August

1. Employee furloughed for whole period. 16 August to 15 September (31 days)

2. Furlough pay = 1000.00 in pay period. Furlough reclaim = 1000.00/31*16 = 516.13/80%*60% = 387.10

Total for August

Furlough Reclaim = 362.90 + 387.10 = 750.00

Claim 1 to 30 September

Month 6 payment 1 to 15 September

1. Employee furloughed for whole period. 16 August to 15 September (31 days)

2. Furlough pay = 1000.00 in pay period. Furlough reclaim = 1000.00/31*15/80%*60% = 362.90

Month 7 payment 16 to 30 September

1. Employee furloughed to end of September. 15 September to 30 September (15 days)

2. Furlough pay = 500 in pay period. Furlough reclaim = 500/15*15//80%*60% = 375.00

Note: Furlough ends on 30 September so all furlough payment of 500 is for September

Total for September

Furlough Reclaim = 362.90 + 375.00 = 737.90

What information do I need to make a claim?

To claim for furloughed individuals, you will need the following:

To claim, you will need:

- Your employer PAYE scheme reference number
- The number of employees being furloughed
- National Insurance Numbers for the furloughed employees
- Names of the furloughed employees
- Payroll/employee number for the furloughed employees (optional)
- Dates each employee was furloughed
- The claim value per employee
- Your Self-Assessment Unique Taxpayer Reference, Corporation Tax Unique Taxpayer Reference, Company Registration Number or Employer Name (as appropriate)
- The claim period (start and end date)
- Amount claimed (per the minimum length of furloughing of 3 consecutive weeks)
- Your bank account number and sort code
- Your contact name
- Your phone number
- For flexibly furloughed employees only
  - The number of part time hours paid
  - The number of furlough hours paid
  - the normal number of hours the employee is expected to work

As advised in this document, you need to calculate the amount you are claiming. HMRC will retain the right to retrospectively audit all aspects of your claim.

If you use an agent who is authorised to act for you for PAYE purposes, they will be able to make a claim on your behalf. If you use a file only agent (who files your RTI return but doesn't act for you on any other matters) they won't be authorised to make a claim for you and you will need to make the claim yourself. Your file only agent can assist you in obtaining the information you need to claim (which is listed above).

Useful numbers

HMRC online service helpdesk	HMRC employer helpline
Tel: 0300 200 3600 Fax: 0844 366 7828 Email: helpdesk@ir-efile.gov.uk	Tel: 0300 200 3200 Tel: 0300 200 3211 (new business)

Contact Support

Your Product	Phone	E-mail
IRIS 12Pay	N/A	support@12pay.co.uk
IRIS PAYE-Master	0344 815 5661	payroll@iris.co.uk
IRIS Payroll Business	0344 815 5661	ipsupport@iris.co.uk
IRIS Bureau Payroll	0344 815 5661	ipsupport@iris.co.uk
IRIS GP Payroll	0344 815 5681	gpsupport@iris.co.uk
IRIS GP Accounts	0344 815 5681	gpaccsupport@iris.co.uk
Earnie or Earnie IQ	0344 815 5671	earniesupport@iris.co.uk
IRIS Payroll Professional (formerly Star)	01273 715300	payroll-support@iris.co.uk

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