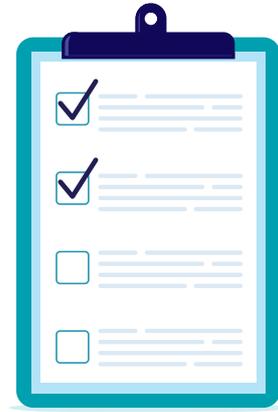


Business Bulletin



Furlough Extension - November 2020

This provides a summary of the **Furlough Extension Scheme** effective from 1st November 2020.

How does it work?

The scheme has now been extended to the 31st March 2021.

The furlough scheme has gone through many phases which have seen gradual reductions in amounts available to claim. With effect from 1st November 2020 the calculation basis is the same as the scheme in August 2020.

Furlough is available for employees where no work is undertaken and for employees who work reduced hours.

There is no requirement for the employer to have used the scheme previously or for the employee to have been on furlough at any point up to and including the 30th October 2020.

The scheme covers any employee for tax purposes who was on PAYE payroll (e.g. Notified to HMRC on a Real Time Information submission) as at the 30th October 2020.

This means it covers all casual workers and zero-hours employees on the payroll as of 30th October 2020.

Whilst on furlough employees must receive 80% of their regular wages up to the maximum of £2,500 per month for any hours that they have not worked. Employers remain responsible for employer National Insurance Contributions and pension payments for all earnings including any furlough subsidy.

The amount of the furlough subsidy will be reviewed in January 2021.

Thematic Review Feedback

Workers previously on furlough

- Employers will be able to use the calculation they used previously under the furlough scheme.

Workers not previously on furlough

- Workers' usual hours will be classed as their normal contractual hours at the end of the last pay reference period ending on or before 30th October 2020.
- Workers undertaking variable hours will be calculated by the average of their hours in the tax year 20/21 up to the start of furlough period.

How are Pay & the Furlough Pay Subsidy Calculated?

Workers on full time furlough

- 80% up to the cap of £2,500 per month.

Workers on flexible furlough

- Workers must receive a proportionate amount based on the number of furloughed hours
- This is calculated by using the number of hours normally worked in the claim period less the number of hours actually worked during that period. This proportion is then applied to the 80% of earnings up to the subsidy £2,500 cap.

For example:

- An employee would normally work 160 hours per month
- Employee is furloughed for 100 hours
- Employee now works 60 hours
- Maximum monthly salary for furlough subsidy to apply £3,125
- $£3,125 \times 80\% = £2,500$ maximum subsidy
- $£2,500 \times 100/160 = £1,562.50$
- Therefore, in this example furlough subsidy is £1,562.50
- If monthly earnings are below £3,125 you would replace this with the reduced earnings

Using this example, the employee receives:

- normal pay for the 60 hours
- £1,562.50 for the furlough subsidy
- less tax & NIC on total pay
- less any required pension contribution

Using this example, the employers cost is:

- 60 hours normal pay
- Employer NIC on employees' total earnings
- Employer pension contribution based on total of normal & furlough subsidy

Holiday Pay

Employees on furlough continue to accrue holiday and can take holiday whilst on furlough. Holiday pay is calculated based on the employee's normal full pay prior to furlough. Taking holiday during furlough is at the employer's discretion.

Bank Holiday Pay

Bank holidays falling during furlough, an employer would have the choice of:

- Giving employees a day's holiday in lieu
- Top up the employee's pay to their normal full pay

Employees unable to work due to coronavirus or other conditions

Employees can be furloughed where they are unable to work because they:

- are shielding in line with public health guidance (or need to stay at home with someone who is shielding)
- have caring responsibilities resulting from coronavirus, including employees that need to look after children

The scheme is not intended for short-term sick absences. If, however, employers want to furlough employees for business reasons and they are currently off sick, they are eligible to do so, as with other employees.

Furloughed employees who become ill, due to coronavirus or any other cause, must be paid at least Statutory Sick Pay (SSP). As under the Coronavirus Job Retention Scheme previously, it is up to employers to decide whether to move these employees onto SSP or to keep them on furlough, at their furloughed rate.

The launch of the Job Support Scheme has been postponed because of national developments related to the coronavirus pandemic.

Job Retention Bonus

The Job Retention Bonus (JRB) will not be paid in February 2021 and a retention incentive will be deployed at the appropriate time. The purpose of the JRB was to encourage employers to keep people in work until the end of January. However, as the CJRS is now being extended to 31 March 2021, the policy intent of the JRB no longer applies.

Furlough claim deadlines

- Claims ending on or before 31st October must be submitted by 30th November 2020
- Claims for November by 14th December 2020.
- Future claims by the following 14th of the month.

More detailed information can be found at:

<https://www.gov.uk/government/publications/extension-to-the-coronavirus-job-retention-scheme/extension-of-the-coronavirus-job-retention-scheme>

We hope you find this information useful. If you would like help or assistance on any topic covered in this bulletin please contact us on **01603 789966** or email enquiries@smith-pinching.co.uk