

LATEST GUIDANCE ON HOW TO HANDLE FURLOUGHED EMPLOYEES IN TOTAL PAYROLL SOFTWARE

This guidance will continue to be updated as HMRC releases more information on how Employers should be recording, reporting and reclaiming for Employees who have been 'furloughed'.

Updated: pm Wed 5th August '20: amendments, since 21st May, **are highlighted in yellow**; amendments required for Furloughing past the 30th June, full or part-time **are detailed on page 8** **Please read immediately!**

Also please note that, with regards to reclaiming monies from HMRC for 'Virus Sick Days' – as the rules are straightforward we have decided not to provide a specific report to assist with 'Virus Sick Days' reclaims and instead concentrate our efforts on the latest 'Furloughing' rules & processes. If you have followed our previous guidance any 'Virus Sick Days' should already be recorded in your employees calendars and are totalled separately at the bottom of the Calendar so basic data can be collated from here. Should you require further specialist help, please contact our Support Team on 01844 213003.

The HMRC website is now open for employers to re-claim monies paid to 'Furloughed' employees – please refer to page 2 below for further details.

However, please note that over the 2 middle weeks of April, HMRC issued amended 'rules' and guidance for the calculation of Furlough Pay, and the basis on which HMRC will reimburse employers!

Our 'old' guidance & examples (for any future reference) has been moved to page 6 of this document.

The headline changes are that the eligibility for Furlough Pay should be based, not on who was on the payroll on Feb 28th, but on who was on the payroll on 19th March'20, and also the calculation of the 80% has subtly changed. Therefore you should re-check your calculation of Furlough pay and may find more employees are eligible for furlough! Two useful links are:

<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

<https://www.gov.uk/guidance/work-out-80-of-your-employees-wages-to-claim-through-the-coronavirus-job-retention-scheme>

The changes/differences you need to make when running **Total Payroll** for 'F'urloughed staff:

1. If the Furloughed Employee was on 'Hourly' Recording, amend this to 'Period' Recording.
2. Amend their 'Std Rate £' to be their new/agreed salary. NB take account of their current 'Pay Frequency' - do not amend this frequency - but ensure the new 'Std Rate £' value entered is for that frequency (Weekly/2Weekly/4Weekly/Monthly)!
3. Run Payroll as normal

NB if you have temporarily increased a period pay for an employee, to make-up for low/zero pay in previous furlough periods, then please contact SUM-IT.

4. However, within **Input Hours** you should record an 'F' in the calendar (like 'H' for Holiday etc.), for each day the employee is 'F'urloughed. The 1st day will be the day the new salary takes effect, then every subsequent day, including weekends and non-working days, should be marked with an 'F' until such time as you are able to re-engage them as a normal employee. This will enable us to identify which employees were 'F'urloughed, when, and how much they were paid during that period.

Reclaiming from HMRC

As from 20th April '20 HMRC are providing a mechanism for employers to reclaim monies paid to furloughed staff.

As from 26th May, HMRC have provided a method to reclaim 'virus' sick days – we were planning to develop a new report to supply all the necessary details to enable you to make this claim – **NB notified on 26th June – we are not planning to develop this report!!**

To reclaim furlough wages, you will need to use the usual HMRC website (www.GOV.uk), signing in with your Government Gateway **PAYE** credentials. HMRC have provided a step-by-step guide at:

<https://www.gov.uk/government/publications/coronavirus-job-retention-scheme-step-by-step-guide-for-employers>

You will need to manually input the information required. (NB only if you have furloughed 100 or more employees, is there a method to electronically upload the details!!). HMRC are working towards having the monies paid directly into your bank a/c within 6 working days after submission of your claim.

In order to assist you, we are developing an additional report, within **Total Payroll**, which provides all the information you should require to complete the website claim form. **You will need program version 11.3.017 or higher. This new version of Total is available from Monday 1st June.** You will not be prompted ... therefore you need to manually pull-down the update:

From the very front screen of Total, choose:

Maintenance / Update Program / Download from Internet / Proceed

To access the new report:

1. Go into **Payroll**.
2. Choose **View Reports**.
3. From the drop-down list, choose **Furlough Report**.
4. Specify the date-range for this report (these are Payment dates!)

It is critical that you select the correct date range, to ensure that you do not claim monies twice for the same period! For the 2nd and any subsequent claims, you must ensure the 'Date **From**' is set to be the day after your most recent claim for Furlough Pay. You will also need to enter the total value, for each of the 3 categories that you have previously claimed through the Coronavirus JR Scheme.

NB It is your responsibility to ensure that you have only furloughed eligible employees!

This new report will only work correctly if you have followed the instructions above (page 1) when inputting furloughed wages!!

We strongly recommend that, before you run this report, you first check/amend the 'F'urlough details you have entered against each employee:

Choose: *View Individual Employee*

Double-click on the required employee.

On the *Amend Employee Details* screen, click **View Calendar** button (bottom line).

Ensure you have **Furlough** recorded against every day (not just 'working' days!!) the employee is in Furlough. It is very important that there is an 'F' in the day immediately after the employee stopped working for you and was put on Furlough. Therefore the 1st Furlough day could well be a Saturday or a Sunday, even if this is not normally a 'working' day!

What the Furlough Report contains:

Please note that we have developed this report to both assist in completing the claim form and providing you with an audit trail of the what/why/when/calculations etc. and therefore we are including more information than is actually required for the CJRS claim form.

This report only includes updated Pay Periods – therefore, if you wish to claim “in advance” you will need to run & commit the required Pay-Period(s) early!

The report columns:

Avr. Pay Feb'20:	This is the 'average' Period Pay in Feb'20 (As from (including) version 11.3.017, this figure may have increased by including <i>Pre-Tax Pension</i> deductions. NB: our calculations exclude 'bonuses'. If the bonuses <u>should be included</u> within 'standard' pay, then please contact SUM-IT).
Avr. Pay 19/20:	This is the 'average' Period Pay for the 12 months April'19 to March'20, excluding periods of Furlough, SSP, Maternity, Unpaid leave, Virus-sick and other anomalies! Again, this figure now includes <i>Pre-Tax Pension</i> deductions, but also excludes 'bonuses'.
Period Pay£:	Is the actual Gross amount you paid the employee for this period.
80% Ref Pay:	This is 80% of the highest value of either Avr Pay Feb or Avr Pay 19-20 . This value is used to 'cap' the Claimable Furlough Pay! (NB It does not constrain what you actually pay the employee)

There may be the very odd circumstance where our calculated 80% value is not a true reflection of 80% of 'Normal' Pay. If you have good justification that the 80% value should be higher, then we have a method of over-riding our calculated figure - please phone the Support Team for guidance.

- Claimable Furlough Pay:** This is the value of 'Pay', that we calculate can be legitimately claimed. It is proportionate to the No. of Furlough days within the Pay Period, and limited to the max. value allowed. We provide an overall total of this value. **Due to the Pre-Tax Pension change, this figure may increase.**
- Claimable NI:** This is the proportion of 'Employer NI Contribution' that we calculate can be legitimately claimed. HMRC guidelines for this calculation is both complex and convoluted! Our calculation is made on our best interpretation of the spirit of those guidelines! We provide a total.
- Claimable AE:** This is the proportion of 'Employer Pension Contribution' that we calculate can be legitimately claimed. We provide a total.

The suggested **Claim Values** on this report are the figures we have calculated based on our interpretation of HMRC guidelines and the information available from within your data. If you actually claim 'other' values, we suggest, for future reference, you write, on a print of this report, the actual values that you claimed!

Since program version 11.3.011 (from May 21st onwards):

We have split this report between 'previous' claims and the current claim.

Previous Claims: we show the detail, with totals, of those claims, and then we report the difference between what we believe you can claim verses the values you input, as being actually claimed. We use any difference to adjust the current claim. Please note that, in a few 'complex' cases (at SUM-IT we have learnt lots in the past month!!) the calculated figures may have changed 'slightly'. We have also added some additional warning messages which we hope you find useful.

Current Claim: we show the detail, with totals, of what we calculate can now be claimed for the current period. You will notice the claimable values may have been adjusted by any 'difference' discovered in 'previous' claims!

You will also notice that we may be adjusting the value of NI that is claimable – this is in accordance with our understanding of the quite complex set of HMRC rules. This NI adjustment is made because of the £4,000 Employer Allowance that is given by HMRC. The spirit of the 'rule' is that, as an employer, you cannot claim, through the CJR Scheme, for more NI, in a given tax month, than you have paid over to HMRC.

Where any 'Current' claim figure is -ve, then please enter £0 for the actual claim. As the calculations are 'cumulative', any differences should be automatically balanced-out in future claims!

Since program version 11.4.005 (from July 30th onwards): Please refer to page 9

If you are in doubt as to what the report is telling you, then please don't hesitate to call our Support Team for clarification.

Accounting for the CJRS Claim:

Even if your 'Payroll' is linked to your 'Accounts' system, there is no 'link' for this claim! Therefore you will need to manually enter the claim values into your Accounts software. For audit purposes, we strongly suggest that you book these as 3 separate lines – giving the values and description for each of the 3 elements of the claim. This revenue is VAT rate 'VO'. Use the same 'Sales Revenue' nominal as you use to record the revenue from 'Employer Allowance'.

We will be keeping this document constantly updated once we start to get 'live' feedback from Users – therefore please keep referring to this document, as it is our only way of providing you with our latest understanding and guidance. By using our website, you will help to free-up our Support Help line for other issues!

For reference:

Updated: Monday 30th March '20: A lot more information is now available from HMRC to determine exactly how to treat furloughed staff. Any full-time or part-time employees may be furloughed. Our current understanding is:

1. No P45 should be issued.
2. A 'new' employment contract should be agreed between the Employer and the Employee.
3. The Employee is not expected to attend work, nor work from home. They are not permitted to work for the business! 'Furloughing' an employee is instead of, and more preferable to, laying that Employee off!
4. The Employer continues to 'employ' the worker, and the Employee is paid the new/agreed salary. The 'new' salary, **as a minimum**, has to be 80% of their 'normal' pay, or £2,500 whichever is the lower:
 - a. For salaried staff, 'normal' pay would most likely be their salary for Feb.'20 (excl. bonuses etc.)
 - b. For hourly paid staff, 'normal' pay would most likely be based on the average hours worked per period, over the past 11 months (April'19-Feb'20).

For full guidance, click on the HMRC link below.

5. The 'new' salary is paid 'Gross', with the usual deductions being made to calculate the 'Net Wage'.
6. HMRC grants will refund the 'new' salary up-to a maximum of:
Either
£2,500 /month
or
80% of the 'normal' wage/salary of that Employee.

Whichever is the smaller value!

Illustrations:

The employee was paid £ 2,000 in Feb. (80% = £1,600)

If you continue to pay him £2,000, you will be able to reclaim only £1,600

If you re-negotiate to pay him £1,600, you will be able to reclaim £1,600 in full

If you re-negotiate to pay him £1,800, you will be able to reclaim only £1,600

You cannot re-negotiate to pay him less than £1,600!!

The employee was paid £ 3,000 in Feb. (80% = £2,400)

If you continue to pay him £3,000, you will be able to reclaim only £2,400

If you re-negotiate to pay him £2,500, you will be able to reclaim only £2,400

If you re-negotiate to pay him £2,400, you will be able to reclaim £2,400 in full

The employee was paid £ 4,000 in Feb. (80% = £3,200)

If you continue to pay him £4,000, you will be able to reclaim only £2,500

If you re-negotiate to pay him £3,200, you will be able to reclaim only £2,500

If you re-negotiate to pay him £2,500, you will be able to reclaim £2,500 in full

You cannot re-negotiate to pay him less than £2,500!!

7. HMRC have also announced that, in addition to the 80%, they will also refund the Co.NI (13.8%) and the standard Employer's portion of the pension (3%).

8. Details of this pay will be sent to HMRC, via FPS submissions, in the normal PAYE transmissions.
9. There is currently no available process for reclaiming this grant/refund – we are hoping for exact details from HMRC by late April.

However, it is your responsibility to check these details with HMRC/your Accountant.

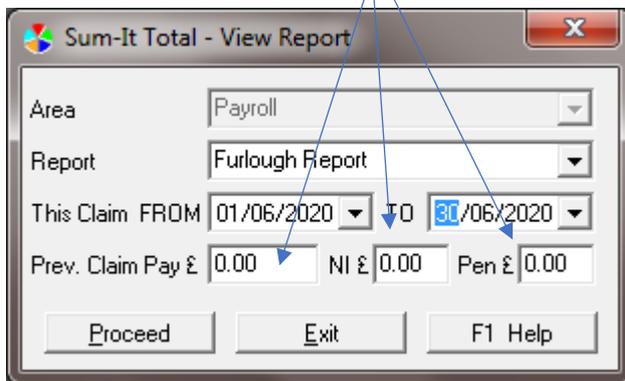
A useful link is:

<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

New 'Furlough' rules coming into effect as from 1st July

It is worth stating here that there are 2 concerns with the current operation of the Furlough Report:

1. There may be some 'concern' over our calculation of the **Claimable Employers NI** value. Although this calculation is correct, if the claim is reporting 'mid-month' it does-not/cannot take account of the effect of 'Employer Allowance' at the next month-end. As the employer, you may wish to make a 'judgement' on the value of Co.NI you are likely to be paying to HMRC at month-end. If this will be seriously reduced by the effect of 'Employer Allowance', then you may decide to reduce (even down to £0) the value of **Employers NI** you actually re-claim. Because our Furlough Report is 'cumulative', any necessary adjustment will be made in future reporting.
2. Please note that the 3 value questions:



These values are cumulative. In this example, where the current report starts on 1st June, the 3 values to be entered is the total values claimed **so-far** (ie from 1st March to 31st May), not just the values that were claimed at the last submission.

There are 4 major changes coming into effect on 1st July:

1. As from 30th June claim periods will no longer be able to overlap calendar months.
2. Employers can, from the 1st July, have employees back working part-time as well as being paid a proportion of furlough money for the remainder of a 'normal' working period. To facilitate these new rules, the basis of which furlough days to claim for in each claim period has been changed.
3. As from the 1st August Employers will no longer be able to claim relief on Employers National Insurance or Pension Contributions.
4. Starting from the 1st September, the calculations for the value of re-claimable furlough pay, within the Coronavirus Job Retention Scheme will change, reducing how much can be re-claimed!

Changes to Furloughing:

Claim periods must now be 'contained' within a calendar month. Our software has been amended to cater for this. You will need to be running version 11.4.005 or higher (available from noon 30th July). If you need the update, you will not be prompted ... therefore you need to manually pull it down:

From the very front screen of Total, choose:

Maintenance / Update Program / Download from Internet / Proceed

After the 30th June - for all staff for whom you are continuing to **full-time**-furlough, then the 'old' processes you have been using for the past 3 months (see pages 2-4 above) **must** continue to be used! – Nothing changes! – you must continue to enter an 'F' in every day (including weekends!) for each Pay-Period

NB Within a Pay Period (weekly/2&4weekly/monthly) you must not 'mix' Furlough type

(eg if '2-weekly', do not have the employee full-time furlough for 1 week, and part-time furloughed for the other week!! – if in doubt, please phone our Support Team).

If you are now going to 'Part-Time-Furlough' staff, please refer to the new instructions on page 11

The **CV19 Furlough Report**, from software version 11.4.005, looks very different, and now handles all the various revised Furlough calculations coming into effect for the 1st August.

After 30th June, the report will only respond to a date selection (From/To) within a calendar month. We therefore have to 'split' pay-period records, to ensure the correct values fall within the required reporting period!

Example: if you want to claim for the period, say 24th June to 15th July, you will need to produce 2 reports, and make 2 separate claims:

1. From 24th June to 30th June
2. From 1st July to 15th July

Each report will include the relevant days, even when one **earnings-period** (say from 27th June to 3rd July) is split between the 2 reports/claims.

NB For 'Monthly' employees, where, say, their **earning-period** is 27th Month to 26th next-Month, then you will not be able to 'complete' the claim for July until you have run the August 'Monthly' run – because that monthly run will include earnings for 27th to 31st July!!

Therefore the report looks different, more complex, with more detail – unfortunately necessary to comply with the new regulations. As previously, we are reporting the values based on our understanding and interpretation of the current rules & guidelines and based on the information recorded in your data.

However, the all-important 3 values to be claimed are reported as normal. The report continues to be split between 'Previous Claims' & 'Current Claim', with the claimable values adjusted by any previously claimed 'inaccuracies'!

Important!!!: If you are Part-time-Furloughing (= 'Flexible-Furlough'), it has been brought to our attention that, for the Claims-website, although we are reporting the value for **Hours Usually Worked** (= 'Norm' hrs) we are not reporting the value required for **Hours Actually Worked**. Our apologies!! Meanwhile, you can calculate the **Hours Actually Worked**: we are reporting the **Hours Furloughed** (= 'Top-Up for Hrs').

Hours Actually Worked = Hours Usually Worked minus Hours Furloughed

We will be amending/updating our software as soon as possible.

The Furlough Report will not report any data past 31/08/2020. We will be providing further software releases to handle the revised Furlough calculations coming into effect for September and October. Therefore, please "watch this space"!!

The following only applies to employees if/when they are being **part-time-furloughed**:

NB It is your responsibility to ensure that you are only part-time-furloughing eligible employees!

If you have not already done so, could you please send an email to: Robert@sum-it.co.uk telling us how many employees you intend to part-time-furlough, and on what date you intend to start doing so. This information will greatly help us, on the 'Support' front.

Before you can record a pay-period with 1 or more members of staff being part-time-working and part-time-furloughed, you **must** be running program version 11.3.020 or higher. This new version of **Total** is available from Thursday 2nd July. You will not be prompted ... therefore you need to manually pull-down the update:

From the very front screen of Total, choose:

Maintenance / Update Program / Download from Internet / Proceed

On the practical side – you will need to discuss and agree, with each individual employee, the amount of time they are required to **part-time**-work and also the amount of time they will continue to be **part-time**-furloughed. You will also need to agree the rates of pay for each proportion of time. All this should be confirmed, in writing, with each employee.

The main change happens within the process of **Input Hours**, with the information entered & confirmed, and this will change the calculations within the Furlough Report, and therefore determine the values that can be reclaimed through the Job Retention Scheme!

If the employee is now going to be recorded/paid on an '**Hourly**' basis, you will need to reset the 'Recording Type' (*Pay Detail* tab in *Individual Employee* screen) to be **Hourly** for that employee. You will also need to set the *Normal Works Hrs*. You must enter the hours, each day,

that the employee would normally work **if the employee was working full-time!** NB we use the **total** of *Hrs Normally Worked* in various 'Furlough' calculations. Therefore please ensure this **total** is correct!! You will also need to set the Hourly Rate to be paid for the hrs worked.

	Qualifies as Sick Day	Normally Works (Hrs)	Max Hrs @ Std. Rate	Max Hrs @ OT1 Rate
Mon	✓	8.00	8.00	4.00
Tue	✓	9.00	8.00	4.00
Wed	✓	10.00	8.00	4.00
Thu	✓	8.00	8.00	4.00
Fri	✓	7.00	7.00	4.00
Sat		0.00	0.00	0.00
Sun		0.00	0.00	0.00

Std Rate £/Hour: 11.000
 Overtime1 Rate £/Hr: 13.50
 Overtime2 Rate £/Hr: 16.50
 Av. Earnings £/Week: 413.84
 Normal Hours/Week: 30 or more

For an Hourly-paid employee, you must also create a **Std. Adjustment** (*Std. Pay Adjust* tab):

This will become the **Furlough Top-Up** pay, which is in addition to the pay earned for hours actually worked.

It must be **Pre-Tax**

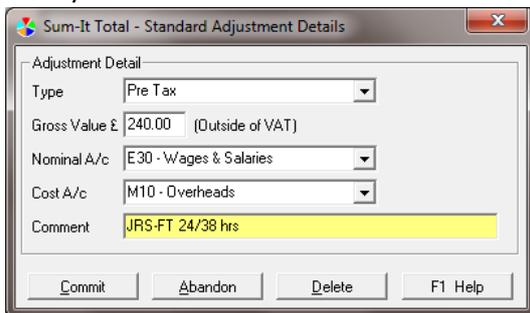
Value = **£0** (we will automatically calculate this later!).

Set 'Nominal' & 'Cost' to be as you require

Comment **must** be in the format: **JRS-FT £nn.nn/hr** where nn.nn is the Furlough rate of pay you have agreed with the employee (as a minimum, this should be 80% of their 'normal' rate).

If the employee is going to remain being recorded/paid on a '**Period**' basis, you will need to reset the 'Std Rate/Period' (*Pay Detail* tab in *Individual Employee* screen) for that employee. The rate to be set to the amount the employee is to be paid for the time they actually work!

For a Period-paid employee, you must also create a **Standard Adjustment** (*Std. Pay Adjust* tab). This will become the **Furlough Top-Up** pay, which is in addition to the earned pay in 'Std Rate/Period'.



Adjustment Detail	
Type	Pre Tax
Gross Value £	240.00 (Outside of VAT)
Nominal A/c	E30 - Wages & Salaries
Cost A/c	M10 - Overheads
Comment	JRS-FT 24/38 hrs

It must be **Pre-Tax**

Value = the amount of money you have agree to pay the employee as 'Furlough' pay, for the time they are not actually working! (as a minimum, this should be 80%, pro rata, of their 'normal' rate).

Set 'Nominal' & 'Cost' to be as you require

Comment **must** be in the format: **JRS-FT xx/yy hrs**

where xx is the no. of hours, in the period, they are continuing to be Furloughed, and yy is the total no of

hours in a 'normal' period. Example: if, in a 4-week period, someone is coming back to work for 2 days a week (therefore Furloughed for 3 days per week!!), xx would be 96 (3 days x 8 hrs x 4 weeks) and yy is 160 (5 days x 8 hrs x 4 weeks). The Adjustment comment would be **JRS-FT 96/160 hrs**.

Once the employee's records have been re-set as above, the **Input Hours** process/procedure will respond accordingly.

For hourly recorded employees, you simple enter the no of hours the employee works per day, and record an 'F' in the days they were Furloughed. The program will automatically calculate the value for the special **JRS-FT Adjustment** (subtracting the total of all the hours worked from the total of 'Normal' hrs in the period, and multiplying the calculated 'furlough' hrs by the rate specified in the JRS-FT adjustment) to give a value to the **adjustment**.

NB. Because this whole process is becoming very complex, it is important that you fully review and sense-check each payslip before you confirm the 'Period Update'!!