

Coronavirus Job Retention Scheme

Correcting Mistakes

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JRS Scheme common Errors

This document aims to give you guidance on common errors employers have made while calculating employee's furlough payments.

The two most common errors we have seen are:

- Employer calculated the furlough payment incorrectly for an employee who was furloughed part way through a pay period. They used their normal method for apportioning payments, e.g. number of working days paid at annual salary/260 or 261. This did not match the detailed guidance published later by HMRC
- Employer operates a salary sacrifice scheme and claimed 80% of the pre-tax notional salary, instead of 80% of the post sacrifice salary

Calculating Part Period based on 260/261 Days

When calculating the furlough payment for part of a pay period, the employer used their normal calculation rules for part periods e.g. when an employee is a new starter or leaver. This may be because when they furloughed the employees, detailed guidance was not available. It could simply be that the employer was unaware of the detailed guidance, even after it was published by HMRC.

Example

Employee works Monday to Friday and is paid £2,000.00 per month. In March they are working for 10 days and furloughed for 12.

Employer Calculation

Annual Salary / Working days in year * Number of working days furloughed.

$$£24,000.00 / 261 * 12 * 80\% = \mathbf{£882.76}$$

HMRC Calculation

Monthly Salary * 80% * number of qualifying furloughed days in month / number of days in month.

$$£2,000 * 80\% * 16 / 31 = \mathbf{£825.80}$$

In this example the employer overclaimed **£56.96** plus the associated employer's NI and pension.

How to correct this mistake

HMRC understand that sometimes you might make an error in your claim. If you have made an error in a claim that has resulted in an over-claimed amount, you must pay this back to HMRC.

You can inform HMRC of an over-claimed amount as part of your next claim. When making your claim, you will be prompted as to whether you need to reduce the amount to take account of a previous error. Your new claim amount will be reduced to reflect this. You do not need to take further action but should keep a record of this adjustment for six years.

If you have made an error in a claim and do not plan to submit further claims, please contact HMRC on their CJRS helpline number: 0800 024 1222.

Salary Sacrifice

Employee's annual salary is £24,000. The employee has a salary sacrifice arrangement where they sacrifice 5% of salary each month. The employer contribution is an additional 5% to the pension scheme.

Normal monthly payslip shows notional pay of £2,000 with 5% sacrifice meaning the normal payment is £1,900 per month.

What amount can be claimed for furlough payment?

The amount of salary that can be claimed under the Coronavirus Job Retention Scheme is 80% of £1,900.00 = **£1,520.00**.

How do we calculate the pension contribution?

The notional pre-sacrifice pensionable pay based on treating £1,520 as the post sacrifice pay is £1,600. Formula = Furlough Pay / (100% - Sacrifice as a % of pay).

In this case this is £1,520 / (100% - 5%) = £1,600.

What is the pension contribution?

The pension scheme rules require a total contribution from the employer of 10% of this notional pre-sacrifice pay. Therefore, the employer contribution to be paid under the pension scheme rules is **£160** a month during the furlough period.

What can be reclaimed by the employer?

Under the Coronavirus Job Retention Scheme, the employer may claim a grant to cover the AE statutory minimum employer contribution on the furlough pay of £1,520.00. In this case, the employer may claim £30.00 for each month in 2020/2021 (3% of (£1,520.00 - £520 (the lower qualifying earnings threshold for 2020/2021))) during the furlough period.

Further information can be found [here](#).

How to process salary sacrifice in payroll

Normal processing before furlough

You may have entered the notional pre-sacrifice pay into your payroll calculation (e.g. £2,000.00) and then deducted the salary sacrifice as a pre-tax and NI deduction. The employee contribution or salary sacrifice amount may have been configured as 5% of salary, resulting in a deduction of £100.00 and leaving £1,900.00 pay.

Processing the furlough payment

The pension contribution being calculated as a percentage of the furlough pay will not work unless you increase the pensionable pay before applying the 5% calculation

Increase the pensionable pay

Normal pre-sacrifice pay = £2,000.00. Normal sacrifice at 5% = £100.00.

Furlough pay that can be claimed is $£1900 * 80\% = £1,520.00$

Step 1 – Calculate notional pre-sacrifice pensionable pay $£1,520 / (100\% - 5\%) = £1,600$

Step 2 – Set normal pre-sacrifice pay to (Result of Step 1 – furlough pay) = £80.00

Step 3 – Set furlough pay to £1,520.00

Furlough pay + normal pay will both be subject to pension contribution, therefore salary sacrifice pension deduction and employer contribution will be the same as they were when processing normally, i.e. $5\% (£1,520 + £80) * 5\% = £80$. The employer will also contribute £80, making the total contribution £160.00.

What the employer did

The employer claimed 80% of the notional pre-sacrifice pensionable pay i.e. 80% of £2,000.00.

Employer claim:

- Furlough pay = $£2,000.00 * 80\% = £1,600.00$
- NI reclaim = $£1,600.00 - £732.00 * 13.8\% = £119.78$
- Pension reclaim = $£1,600.00 - £520 * 3\% = £32.40$

In this example the furlough payment overclaim is £80.00 plus associated employer's NI and Pension.

How to correct this mistake

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