12Pay

COVID-19 and Furloughed Employee Payroll Processing Changes

April 19th 2020

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Furlough Payments

This document aims to give you guidance on processing Furlough payments in 12Pay, making it easier to calculate what you can claim back from the government, using the Coronavirus Job Retention Scheme. The information contained herein, was correct at the time of publishing but is subject to change as HMRC define the furlough legislation.

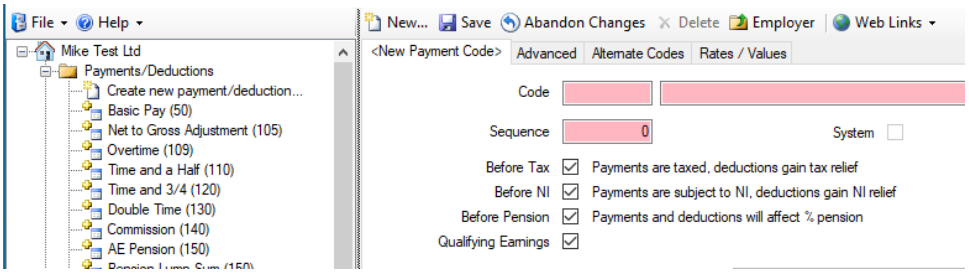
Further information can be found **here**.

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%.

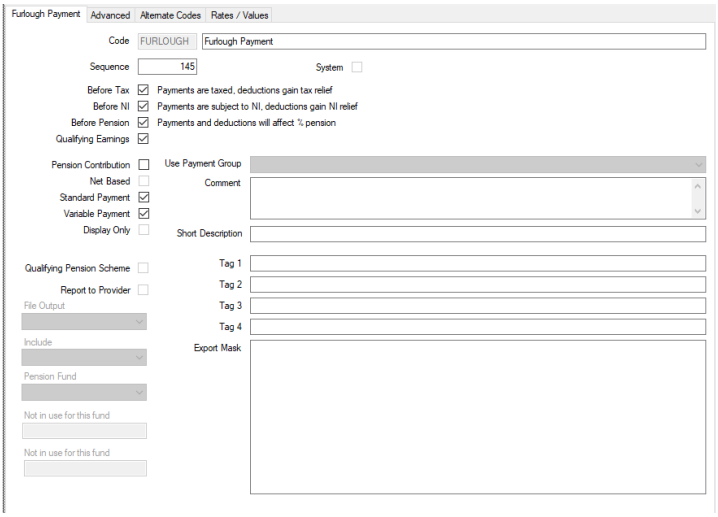
To do this:

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
5. Ensure the following are all ticked:

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



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.

Things to consider

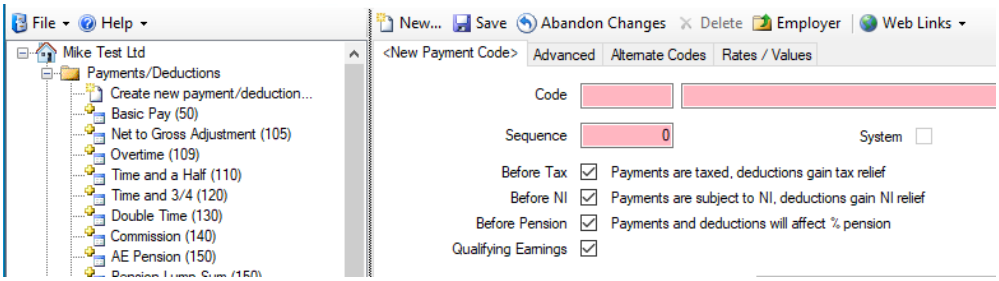
- You will have to suspend any regular payments, e.g. Basic Pay, for employees who are furloughed. If you want to continue paying your furloughed employee 100% of their pay you should reduce the regular payment amount to 20% of its original value and leave it unsuspended. To suspend a payment, select it in the **Pay** tab of the employee, then tick the **Suspended** box
- You will have to enter or import the furlough payment each pay period if you do not set/adjust regular payment values in the employee's **Pay** tab
- If you process costing in 12Pay you will have to assign nominal codes to the new pay element. To do this open the furlough payment/deduction and in the **Advanced** tab, enter the nominal codes in **Nominal Code** and **Employer Cost Nominal**

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%.

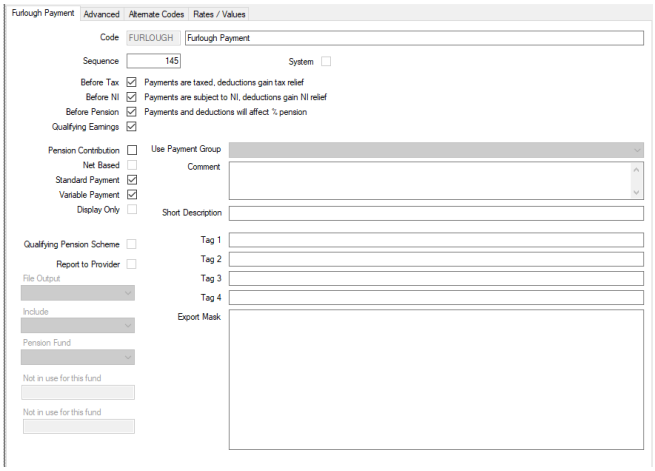
To do this:

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
5. Ensure the following are all ticked:
   - **Before Tax**
   - **Before NI**
   - **Before Pension**
   - **Qualifying Earnings**

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

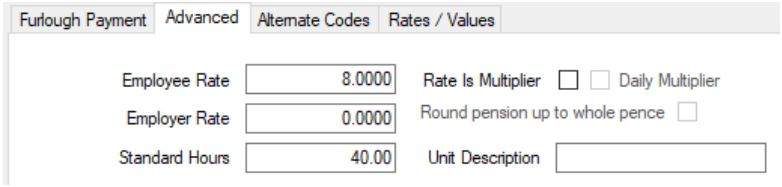


6. In the **Advanced** tab, tick **Hours Rate Pay Payslip**

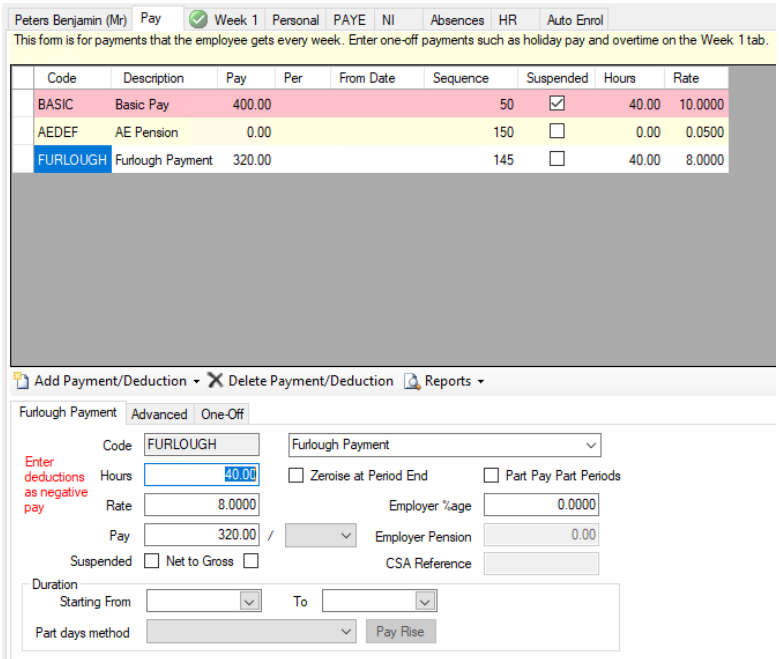
Once saved, you can use the new payment to pay your employees 80% of their usual pay.

Things to consider

- You will have to suspend any regular hourly payments e.g. Basic Pay for employees who are furloughed. To suspend a payment, select it in the **Pay** tab of the employee, then tick the **Suspended** box. If your employee's normal pay is 40 hours at £10 per hour you should suspend the payment and pay the employee 40 hours using the new furloughed rate, setting the employee's rate to £8 per hour
- If you want to continue paying your furloughed employee 100% of their pay you can temporarily set the normal hourly rate to be 20% of its original value but do not suspend it. Pay the 20% payment alongside the furloughed payment
- You will have to enter or import the furlough payment each pay period if you do not set/adjust regular payment values in the employee's **Pay** tab
- If all or most of your furloughed employees will be paid at the same rate and/or number of hours, you could consider setting these up in the **Advanced** tab of the payment/deduction. This will need to be done before you apply the payment to any of the employees



Employee Details



Original Payslip

Mike Test Ltd **Peters Benjamin (Mr)**

Tax Ref	Pay Date	Week	Tax Code	NI Table	NI Number	Department	Employee	Method
002/Q1	9 April 2020	1	1250L	A	AA102102A		102	Bank

Payments	Pay	Tax	NI
Basic Pay: 40 @ £10.00	400.00	Y	Y
Total Payments	**400.00**		

Deductions	Pay	Tax	NI
AE Pension	14.10	Y	Y
PAYE	29.00		
National Insurance	24.35		
Total Deductions	**67.45**		
Net Pay	**332.55**		

	Taxable Pay	Tax	NIable Pay	NI	Er's NI	Er's Pension
Current Week	385.90	29.00	385.90	24.35	29.93	18.33
This Employment	385.90	29.00	385.90	24.35	29.93	18.33

Bank MR B PETERS **Bank Account** 13602605
Sort Code 202543

Furloughed Payslip

Mike Test Ltd **Peters Benjamin (Mr)**

Tax Ref	Pay Date	Week	Tax Code	NI Table	NI Number	Department	Employee	Method
002/Q1	9 April 2020	1	1250L	A	AA102102A		102	Bank

Payments	Pay	Tax	NI
Furlough Payment: 40 @ £8.00	320.00	Y	Y
Total Payments	**320.00**		

Deductions	Pay	Tax	NI
AE Pension	10.10	Y	Y
PAYE	13.80		
National Insurance	15.23		
Total Deductions	**39.13**		
Net Pay	**280.87**		

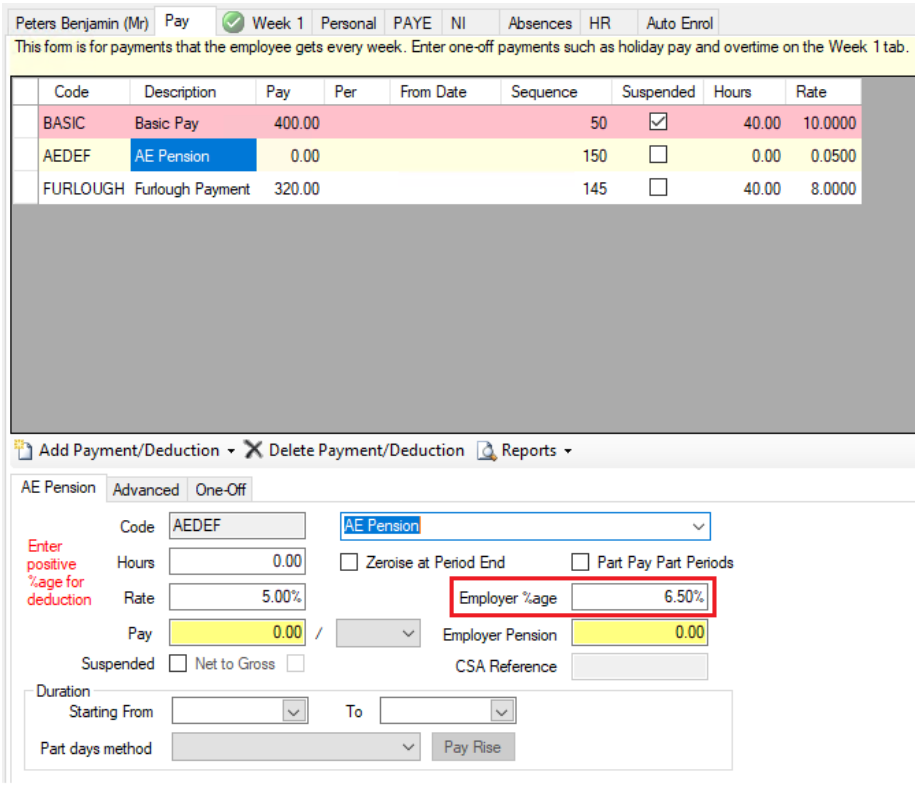
	Taxable Pay	Tax	NIable Pay	NI	Er's NI	Er's Pension
Current Week	309.90	13.80	309.90	15.23	19.44	13.13
This Employment	309.90	13.80	309.90	15.23	19.44	13.13

Bank MR B PETERS **Bank Account** 13602605
Sort Code 202543

Employer Pension Contributions

HMRC State that you cannot claim any automatic enrolment contributions above the minimum mandatory employer contribution of 3% of income (above the lower limit of qualifying earnings, which is £512 per month until 5th April and will be £520 per month from 6th April 2020 onwards).

If you provide more than 3% in employer's pension contributions and not want to be out of pocket for furloughed employees, you must reduce the employer contribution. Check that your pension scheme rules allow you to reduce your employer's contributions first.



How much money do I claim?

You will receive a grant from HMRC to cover the lower of 80% of an employee's regular wage or £2,500 per month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that subsidised wage.

12Pay is unable to check that you have not processed any furlough payments greater than the maximum allowed, so we strongly advise that you check the furlough payments thoroughly.

How to create a report to calculate how much I can claim

The quickest way to produce information on furlough costs is to print the **Pay Element Detail** report from **Payroll | Reports | Pay Elements | Pay Element Detail**

Mike Test Ltd
002/Q1
Payroll Weekly Payroll
Period Week 1

Pay Element Detail

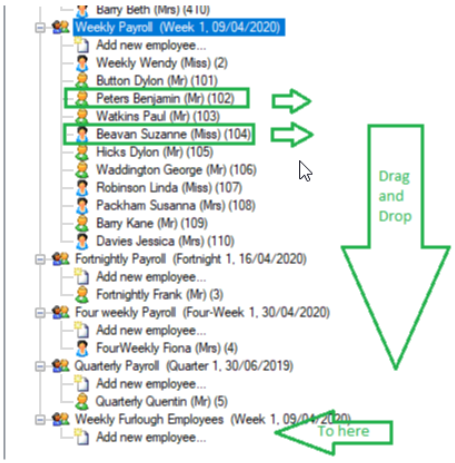
01 April 2020 15:00
Page 1 of 2

Code	Description	Pay	Employer Cost	Nominal Code	Employer Nominal	Employee	Name
BASIC	Basic Pay	384.62		7000		2	Weekly Wendy (Miss)
		118.80				101	Button Dylon (Mr)
		4,903.85				103	Watkins Paul (Mr)
		673.40				104	Beavan Suzanne (Miss)
		1,058.20				105	Hicks Dylon (Mr)
		577.20				106	Waddington George (Mr)
		577.20				107	Robinson Linda (Miss)
		577.20				108	Packham Susanna (Mrs)
		577.20				109	Barry Kane (Mr)
		577.20				110	Davies Jessica (Mrs)
BASIC	**Basic Pay**	**10,024.87**		**7000**			
FURLOUGH	Furlough Payment	320.00		(FURLOUGH)	(FURLOUGH:Emp)	102	Peters Benjamin (Mr)
		327.25				104	Beavan Suzanne (Miss)
FURLOUGH	**Furlough Payment**	**647.25**		**(FURLOUGH)**	**(FURLOUGH:Emp)**		
AEDEF	AE Pension	-13.33	17.33	2230	7007	2	Weekly Wendy (Miss)
		-10.10	13.13			102	Peters Benjamin (Mr)
		-42.20	54.86			103	Watkins Paul (Mr)
		-42.20	54.86			104	Beavan Suzanne (Miss)
		-22.96	29.85			108	Packham Susanna (Mrs)
AEDEF	**AE Pension**	**-130.79**	**170.03**	**2230**	**7007**		
TAX	PAYE	-33.40		2210		2	Weekly Wendy (Miss)
						101	Button Dylon (Mr)
		-13.80				102	Peters Benjamin (Mr)
		-1,790.98				103	Watkins Paul (Mr)
		-143.40				104	Beavan Suzanne (Miss)
		-182.56				105	Hicks Dylon (Mr)
		-67.20				106	Waddington George (Mr)
		-67.20				107	Robinson Linda (Miss)
		-62.60				108	Packham Susanna (Mrs)
		-67.20				109	Barry Kane (Mr)
		-67.20				110	Davies Jessica (Mrs)
TAX	**PAYE**	**-2,495.54**		**2210**			
NI	National Insurance	-22.59	27.91	2211	7006	2	Weekly Wendy (Miss)
						101	Button Dylon (Mr)
		-15.23	19.44			102	Peters Benjamin (Mr)
		-171.47	647.58			103	Watkins Paul (Mr)
		-45.36	108.94			104	Beavan Suzanne (Miss)

If you want to omit employees who have not been furloughed, we recommend you move all furloughed employees to their own payroll. This also has the advantage of producing totals for the furlough related costs.

To move furloughed employees to their own payroll:

1. Create a new payroll from **Employer | Create new payroll…**
2. Use the same payroll settings as the original payroll, particularly the **Pay Day** and **Payment Frequency**
3. Give the payroll an appropriate name such as Weekly Furlough Employees. If you have employees of different pay frequencies you will need to create a furlough payroll for each frequency, e.g. "Weekly Furlough Employees", "Monthly Furlough Employees" etc
4. Drag and drop your furlough employees from the original payroll to the new one



Pensions

HMRC state that you cannot claim any automatic enrolment contributions above the minimum mandatory employer contribution of 3% of income (above the lower limit of qualifying earnings which is £512 per month until 5th April and is £520 per month from 6th April 2020 onwards).

Employee is furloughed for part of a pay period

If an employee is furloughed part way through a pay period, only a portion of the employer's NI and employer's pension will apply to the furlough payment.

Assuming a monthly paid employee with annual salary of £24,000 is being paid in April 2020/2021. The employee is paid from April 1st to April 30th, works Monday to Friday and is furloughed from Monday 13th. The employee worked 12 days and was furloughed for 18 in April. The employee in this example is on NI Letter A and has contributed 3% to an Automatic Enrolment scheme on earnings above £520.

Normal pay	2,000 / 30 * 12	800.00
Furlough pay	(2,000 / 30 * 18) * 80%	960.00
Total Pay for month 1		1760.00
Employer's NI on Gross of 1760		141.86
Employer's Pension on Gross of 1760		37.20

Proportion to claim back

You can claim back the proportion of the NI and pension associated with the furlough payment.

Employer's NI

(£800 + £960 - £732) * 13.8% = £141.86

£141.86 / 30 * 18 = **£85.11**

Employer's Pension

Furlough Pay is £960

£960 – (£520 / 30 * 18) = £648

£648 * 3% = **£19.44**

Note: The Payroll software will not calculate this for you.

Paying Employees 100% of Pay

If you are paying employees 100% of pay while furloughed, you will have to work out how much employer's NI and employer's pension you can claim back.

You could calculate the payroll with an 80% payment or maximum of £2500 per month, print the **Pay Element Detail** report and then run the payroll with 100% payment. This can easily be achieved by temporarily suspending the non-furloughed payments. The report printed originally will show how much you can reclaim for pension and NI contributions in the **Employer Cost** column.

Example

I pay an employee £3500 (which is 100% pay). NI Letter A. Pension is 3% above £520

Employer's NI is £381.98

Employer's Pension is 89.40

Furlough Reclaim is:

Employer's NI: £2500 / 3500 * 381.98 = £272.84

Employer's Pension: £2500 - £520 * 3% = £59.40

Employee Payment: £2500.00

Therefore, I can only reclaim £2500.00 + £272.84 + £59.40 = **£2832.24**

Employment Allowance

Note: If you are claiming Employment Allowance, you must not claim Employer's NIC until you have met your threshold. For instance, if you are claiming £4,000 Employment Allowance and the Employer's NIC due is less than £4,000, your Employer's NIC claim will be nil.

What information do I need to make a claim?

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

- Employer PAYE reference number
- The number of employees being furloughed
- National Insurance numbers for all employees you want to furlough
- Names of employees you want to furlough
- Payroll/works number for the employees you want to furlough
- Self-Assessment Unique Taxpayer Reference, Corporation Tax Unique Taxpayer Reference or Company Registration Number
- The claim period (start and end date)
- The amount claimed (per the minimum length of furloughing of 3 consecutive weeks)
- Employer's bank account number and sort code
- Employer's contact name and phone number

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 Links

HMRC are endeavouring to make the claim process as straightforward as possible, for further information see:

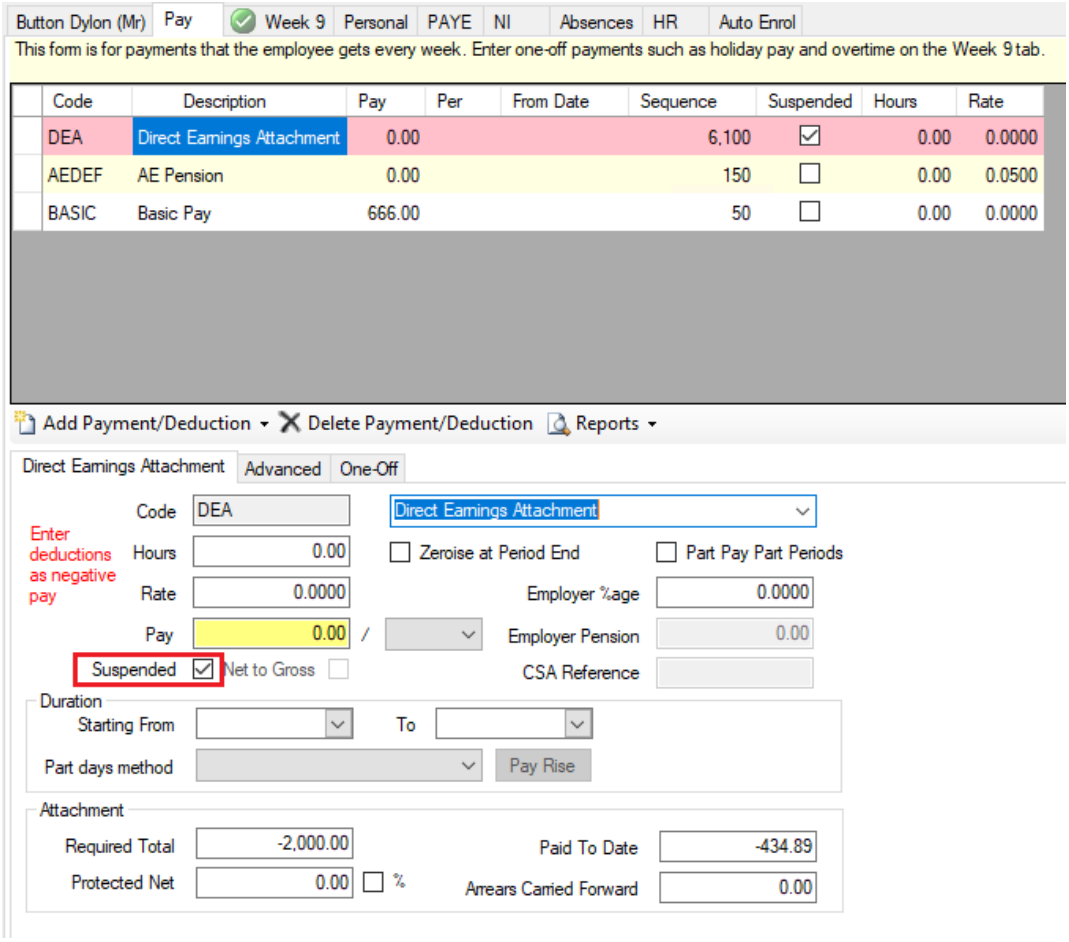
- **Guidance to claim for wage costs through the CJRS**
- **Guidance to work out 80% of your wages to claim through CJRS**
- **CJRS calculator**

Temporarily Stop Direct Earnings Attachments (DEA)

The Department of Work and Pensions (DWP) is writing to employers asking them to temporarily stop benefit debt repayments. You should not take any DEA deductions from your employees' pay in April, May or June 2020. You'll be told if this will be extended.

To do this:

1. Select the employee and open their **Pay** tab
2. Select the DEA deduction
3. Click the **Suspended** check box



4. Click **Save**

You will need to un-check the **Suspended** box when advised to start taking the deductions again, currently planned for July 2020.

For more information see **https://www.gov.uk/government/publications/direct-earnings-attachments-an-employers-guide**.