

Job Retention Scheme: Phase 2

Karen Thomson, Partner and Head of Payroll Services
for Armstrong Watson LLP

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Introduction

The Government introduced the Job Retention Scheme (CJRS) on 20th March, with claims being permitted for those furloughed from 1st March to 30th June. The following guide aims to help businesses understand the changes from 1 July. This is a lengthy guide due to the complexities involved with the rules for the new scheme.

In order to make a claim under the current scheme and then CJRS2, certain criteria have to be met:

- ✓ Your business is impacted by the Corona virus (Covid-19)
- ✓ You are paying your employees at least 80% of their reference pay (average if variable and if fixed their last normal pay prior to 19th March 2020)
- ✓ Eligible employees need to have been an employee on a real time PAYE submission prior to 19th March 2020
- ✓ Employees have to be furloughed (not working for the company or connected companies) for a minimum of 3 weeks
- ✓ And certain claim criteria for HMRC such as UK bank account and be registered for PAYE etc.

The current scheme closes on 30th June and to meet the 3 week minimum furlough requirement an eligible employee would have to have been furloughed for the first time by 10th June. There was some confusion initially with these rules, but to clarify, as long as an eligible employee (on the PAYE return before 19th March 2020) was furloughed for a minimum of 3 weeks between 1st March and 30th June (even if brought back since) they will be eligible for scheme 2 that commences from 1 July 2020. It is important to make sure you make your claim(s) up to 30th June by 31st July, as after this date you will only be able to make a claim for scheme 2. You must also not overlap any claims, for example 25th June to 2nd July, the claim in this instance would need to end on 30th June and pro-rata calculations would be required.

What does the Job Retention Scheme (CJRS2) look like from 1 July 2020?

For those employees who were claimed for under scheme 1 only:

- 1st July to 31st July – flexibility offered i.e. employees can be brought back in to work on any agreed working pattern of hours and be 'flexibly' furloughed (more on this later), for furloughed hours they must continue to be paid at least 80% of their reference pay and the employer can reclaim the furlough pay up to £2,500, plus employer national insurance and employer pension contributions (subject to maximum limits under automatic enrolment).
- 1st August to 31st August – flexibility continues to be offered as above with the exception that employers will no longer be able to reclaim any national insurance or pension contributions.
- 1st September to 30th September – flexibility continues to be offered, however the employer will be required to pay at least to the 80% cap, but will only be able to reclaim 70% to a maximum cap of £2,187.50 whilst ensuring the employee continues to receive 80% of their reference pay for furloughed hours to the cap of £2,500.
- 1st October to 31st October – flexibility continues to be offered, however the employer will only be permitted to claim 60% to a maximum cap of £1,875 whilst ensuring the employee continues to receive 80% of their reference pay for furloughed hours to the cap of £2,500.
- The Coronavirus Job Retention Scheme will end at midnight 31st October 2020.

Illustration of the key changes

	1 st - 31 st July	1 st - 31 st August	1 st - 30 th September	1 st - 31 st October
Government contribution to wages	80% up to £2,500	80% up to £2,500	70% up to £2,187.50	60% up to £1,875
Government contributes employer National Insurance contributions and pension contributions on automatic enrolment thresholds	Yes	No employer pays	No employer pays	No employer pays
Employer contributions to wages	None unless chooses to top up furlough pay	None unless chooses to top up furlough pay	10% up to £312.50	20% up to £625
Employee must receive for non working hours, before deductions	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

Maximum caps are proportional to non-working hours. HMRC's guidance on the key changes can be found [here](#).

The employer journey to making a claim under the CJRS2

Determine whether you can make a claim



Decide which employees you can put on furlough i.e. eligibility. Agree terms and if moving to flexible furlough confirm a new agreement with your employee on hours or shifts to be worked and not to be worked.



Consider what you will need in respect of date e.g. what is your claim period, what is the reference pay and for CJRS2 the usual hours worked, part-time hours worked and the remaining furlough hours.



Work out what you can claim.



Carry out the calculation(s).



Make your claim online, if you use a payroll provider or have an accountant check to see if they can help you with this.



Make sure your payroll data has been submitted to HMRC via the normal realtime information reporting process and that you retain the records for 6 years.



It is important that any flexible working arrangements are agreed in writing and retained.



Which employees can you claim for?

Was the employee employed with you as of this date?	Date RTI submission notifying payment was made to HMRC	1 st - 31 st August
28 February 2020	On or before 28 February 2020	Yes
28 February 2020	On or before 19 March 2020	Yes
28 February 2020	On or after 20 March 2020	No
19 March 2020	On or before 19 March 2020	Yes
19 March 2020	On or after 20 March 2020	No
On or after 20 March 2020	On or after 20 March 2020	No

In addition to the above, employees must be furloughed for the minimum three weeks and must have been included on a CJRS claim to qualify for scheme 2. HMRC will, as you would expect, look to carry out compliance checks in the future, but some have been carried out via electronic validation routines when making the claim. These have included ensuring a submission for real time information has been made; the number of employees being claimed for was at least the same number on a return prior to 19th March 2020. As such, HMRC have stated in their revised guidance on [eligibility](#), that under the CJRS2 from 1st July, employers cannot submit a claim that exceeds the maximum number of employees you claimed for under any claim ending 30th June. For example:

- April 20 – claim made for 60 employees (this could be a combination of payrolls under one PAYE scheme);
- May 20 – claim made for 100 employees
- June 20 – claim made for 35 employees

The maximum number you could claim for under scheme two would be 100 employees. However, please note if you have an employee returning from one of the statutory parental leave schemes e.g. maternity, the Government now permits you to furlough these individuals even if they were not on a claim prior to 30th June. Employees returning from family leave can be furloughed after 10 June even if they are being furloughed for the first time. Employers may do this provided that:

- Employers have previously submitted a claim for any other employee in their organisation in relation to a furlough period of at least 3 consecutive weeks taking place any time between 1 March 2020 and 30 June
- The employee being furloughed for the first time started maternity, shared parental, adoption, paternity and parental bereavement leave before 10 June and has returned from that leave after 10 June
- The employee was on the PAYE payroll on or before 19 March 2020. This means an RTI submission notifying payment in respect of that employee to HMRC must have been made on or before 19 March 2020

It is currently unclear how HMRC systems will validate this, perhaps as long as on RTI return but whatever the process, please ensure you do not deliberately flout these rules.

Employee data required

In addition to the data currently required now, such as business bank details, unique tax reference numbers, PAYE references etc. as per HMRC [guidance](#) you will also need to record:

- ✓ Agreement made with the employee about flexible furlough arrangement which must be confirmed by the employer in writing
- ✓ The usual number of hours the employee would be expected to work in the claim period
- ✓ How many hours they actually worked
- ✓ How many hours they have therefore been furloughed for, and for which you will be making a claim for up to the maximum amount for the period i.e. July is £2,500

You will be required to keep a record of this information for up to six years.

It will be extremely important, where you use a payroll provider to understand what data they can assist you with. For example, it might be that for salaried, monthly/weekly paid workers the normal hours will not be stored as this is not required to work out a monthly/weekly pay amount (if only payroll system developers could have seen this awful virus coming!) However, where you pay in hours, due to legislation it is a requirement for the hours to be shown on a payslip, so your payroll provider may be able to provide you a report of the hours worked in the previous 12 months etc. albeit, these may not relate to when the hours were worked.

If you are an Armstrong Watson client in receipt of payroll services, the payroll team are working on what can be produced from the payroll system to assist our clients and will advise in due course.

If your payroll provider/accountant etc. has submitted claims for you under scheme 1 then it is most likely they will be able to do so under scheme 2, as long as they have all the information required from you and/or the payroll team.

How to calculate how much you can claim

HMRC has published [guidance](#) to assist businesses, which includes a calculator. Please note the calculator does have some limitations, but can be used for current claims and for claims after 1st July. The circumstances where the calculator cannot be used include:

- ✓ If the employee has returned from family related leave e.g. maternity
- ✓ Director payments
- ✓ Transferred under a TUPE arrangement
- ✓ Have employment that isn't continuous i.e. worked for you at different times of the year
- ✓ Your pension scheme is not calculated using the automatic enrolment rules
- ✓ You pay yourself/employees annually
- ✓ **Also note: at the time of testing the calculator, it wouldn't allow for any claim less than 7 days**

The calculator link can be accessed [here](#), but please note before you start there is information you will need. **The calculator has a time out function (15 minutes) so it is important you have the information you need ready which is:**

- ⇒ The claim start date
- ⇒ The claim end date (it is common to align this with the payroll period but please be careful when combining payroll frequencies under one PAYE scheme e.g. a weekly and a monthly payroll)
- ⇒ The pay dates (when the employee gets their pay) including their last pay day prior to the claim period
- ⇒ The dates of pay periods (the time periods their pay covers, e.g. 1st July to 31st July even if paying on 25th July)
- ⇒ What the employee regular payment amounts are for whom you are making a claim
- ⇒ The number of hours worked (if applicable, after 1 July); this will require a calculation if monthly paid see later in this guidance
- ⇒ The amount paid to employee for hours worked (if applicable, after 1 July)
- ⇒ Any additional payments (such as tips, discretionary bonuses, non-cash payments) don't forget these cannot be included in furlough claims if working out manually
- ⇒ The date furlough ended, if not ongoing

Calculator example

I used the calculator and found it very easy to use, however if you have multiple employees as it is on an individual basis do allow some time. Below is the output showing how the system calculated my hypothetical information for a claim. What I found really useful was you can save a copy of the calculation in a PDF by clicking on the print/save button.

I used the following data for my example:

Monthly paid and claim 1st July to 31st July earning £3000 per month normally. My employee has a contract for 37.5 hours per week and is paid for a full month, i.e. 1st to 31st July with a pay day of 25th July. The date he was paid prior to this claim was 25th June. He is in the pension scheme and the employer pays Class 1 National Insurance, so what did it calculate? I said the employee worked 40 hours in the pay period and was furloughed for the rest.

Below is the total output:

Note: the links in this example are not live and for demonstration purposes only.

What you can claim for this employee:

Amount paid to this furloughed employee	£1825.15
Employer National Insurance contributions	£175.03
Employer minimum pension contributions	£42.89

<https://www.tax.service.gov.uk/job-retention-scheme-calculator/confirmation/1/3>

What you can claim for this employee

Amount paid to this furloughed employee	£1825.15
Employer National Insurance contributions	£175.03
Employer minimum pension contributions	£42.89

Calculated on: 15 June 2020 (Calculator Version v5.0)

The results of the calculation rely on the accuracy of the information you entered, for which you are responsible. You cannot claim for more money than you are going to pay out under the scheme. Print or save a copy of this page

How these figures were calculated

You can view a detailed calculation showing the furlough amounts, employer National Insurance and pension contributions for each pay period in your claim. You told us this employee gets paid a regular amount each time. We've worked out their daily earnings and multiplied by the number of furlough days and furlough hours in each pay period. The furlough grant is 80% of this. There's a maximum amount you can claim for furlough grant and Employer National Insurance contributions. If this affects your claim, we've adjusted the calculations. Work out the maximum wage amount you can claim (opens in new tab). (<https://www.gov.uk/guidance/work-out-80-of-your-employees-wages-to-claim-through-the-coronavirus-job-retention-scheme#eighty-percent>)

Calculations are rounded to the nearest penny unless otherwise stated.

For pay period 1 July to 31 July 2020

Calculate pay based on furlough days

Take the pay in pay period:
GOV.UK

Job Retention Scheme calculator - Detailed breakdown of calculations

15/06/2020 What you can claim for this employee - Job Retention Scheme calculator - GOV.UK

<https://www.tax.service.gov.uk/job-retention-scheme-calculator/confirmation-2/3>

1. Start with £3000.00 (from pay period).
2. Divide by 31 (days in pay period).
3. Multiply by 31 (furlough days).

Total pay based on furlough days = £3000.00

Then:

1. Start with £3000.00 (total pay based on furlough days).
2. Divide by 167.00 (usual hours). **($37.5 \times 31 / 7 = 166.07$ rounded to 167)**
3. Multiply by 127.00 (furlough hours). **($167 - 40 = 127$)**

Total pay based on hours worked in this pay period = £2281.44

Furlough grant

1. Take £2281.44 (pay based on hours worked in this pay period).
2. Multiply by 80%

Total furlough grant for pay period = £1825.15

Employer National Insurance contributions

1. Start with £1825.15 (furlough grant).
2. Round down to the nearest pound.
3. Deduct £556.67 (£732.00 National Insurance contribution threshold for 20/21 tax year, divide by 167.00 usual hours, multiply by 127.00 furlough hours).
4. Multiply by 13.8%.

Total NI grant for pay period = £175.03

Employer minimum pension contributions

1. Start with £1825.15 (furlough grant).
2. Round down to the nearest pound.
3. Deduct £395.45 (£520.00 Lower Level of Qualifying Earnings for 20/21 tax year, divide by 167 usual hours, multiply by 127.00 furlough hours).
4. Multiply by 3%.

Total pension grant for pay period = £42.89

Next steps

15/06/2020 What you can claim for this employee - Job Retention Scheme calculator - GOV.UK
<https://www.tax.service.gov.uk/job-retention-scheme-calculator/confirmation 3/3>

1. Make a calculation for any other employee furloughed for all or part of this claim period (1 July to 31 July). Make a note of each set of figures.
2. Work out the total amounts to claim for:
 - furlough amount
 - employer National Insurance
 - employer minimum pension contributions
3. Adjust the total amount of employer National Insurance contributions by subtracting any Employment Allowance used in each pay period. Work out how much you can claim in total for employer National Insurance contributions (opens in a new window or tab).

(<https://www.gov.uk/guidance/work-out-80-of-youremployees-wages-to-claim-through-the-coronavirus-job-retention-scheme#work-out-howmuch-you-can-claim-for-employer-national-insurance-contributions-nics>)

4. Make a claim using Job Retention Scheme online claim service (opens in a new window or tab).

(<https://www.gov.uk/guidance/claim-for-wages-through-the-coronavirusjob-retention-scheme>)

Webchat help (opens in a new tab). (<https://www.tax.service.gov.uk/askhmrc/webchat/job-retention-scheme>)

Get help with this page (</contact/contact-hmrc-unauthenticated?service=jrsc>)

The additional calculation text, text highlighted in bold are my additional comments

What if you cannot use the calculator

Where you cannot use the calculator, it will mean you will need to manually calculate the amount you pay and the amount you reclaim. Again, please check with your payroll department and or payroll service provider what they might do to assist you.

If you are an Armstrong Watson client in receipt of payroll services, the payroll team are working hard to understand what support can be provided and will advise in due course.

HMRC has published comprehensive guidance when working out manual calculations, providing a range of examples. If looking to work out National Insurance and pension contributions you can claim, you can find guidance [here](#).

If after the 1st July you would like to benefit from flexible working for your employees which can be any agreed working pattern or hours the guidance can be found [here](#).

HMRC fully worked example

This example provided by HMRC is based on fixed salary, fixed contractual hours and is flexibly furloughed paid monthly. I have added some of my own comments where appropriate.

Employee has worked for F Ltd since 2016, working 40 hours a week for a monthly salary of £3,000, paid calendar monthly. The employee was furloughed on 25 April 2020 and from 1 July 2020 is asked to return to work half-days. Pay has not been topped up and there is no bonus, commission or other additional pay.

As they prepare to pay employees for the end of July, F Ltd also calculates their CJRS claim.

As F Ltd processes payroll on a calendar month it decides to claim for 1 to 31 July.

The employee is flexibly furloughed from 1 July, so F Ltd works out the usual hours. The employee has fixed hours and a salary that doesn't vary by the number of hours worked so the calculation is:

1. The number of hours the employee was contracted for at the end of the last pay period ending on or before 19 March 2020. This was 40 hours per week.
2. Divide by the number of calendar days in the repeating working pattern. It is a weekly pattern, so divide by 7. **(My thought: it doesn't matter if normally the employee works Monday to Friday you still base on total calendar days in the week)**
3. Multiply by the number of days in the pay period. 31 days in July, so multiply by 31.
4. Result is 177.14, rounded up to 178.

Next F Ltd calculates the number of working hours and furloughed hours. The employee will work 23 half days, each of 4 hours, so working hours are 92. Furlough hours are calculated as:

Number of usual hours, 178

1. Subtract the number of actual hours worked, so subtract 92 = 86 furlough hours.

F Ltd calculates the maximum wage amount. As F Ltd will claim for the pay period which is a whole month, the maximum wage amount that can be claimed is £2,500.

F Ltd then works out the 80% of the usual wage.

The employee is furloughed throughout July so there are 31 furlough days.

The employee is on fixed pay, so the calculation is:

1. Start with the employee's wages from their last pay period ending on or before 19 March, £3,000. Claim is for a full pay period so skip to step 4.
2. Skip
3. Skip
4. Multiply by 80% = £2,400.

Furlough pay for flexibly furloughed employee is the lesser of either:

- 80% of usual wages - £2,400
- the maximum wage cap - £2,500

1. Here F Ltd uses £2,400.
2. Multiply by employee's furloughed hours, 86
3. Divide by the employee's usual hours, 178 = £1,159.55.

As the claim is for July, F Ltd can claim a wage grant for the whole amount of the minimum furlough pay.

F Ltd then works out how much to claim for employer NICs costs. The company uses the payroll to calculate the actual NICs due but must use the scheme calculation for claims between 1 July and 31 July to work out how much grant it can claim.

First apportion the relevant secondary (Employer) NICs threshold.

1. Start with the relevant secondary NICs threshold for the NICs earnings period. The earnings period is the month, so the threshold is £732.
2. Divide by the number of days in the earnings period, 31
3. Multiply by the number of days in the claim, 31
4. Divide by the number of usual hours in the claim, 178
5. Multiply by the number of furlough hours in the claim, 86 = £353.66.

Calculate the employer NICs grant:

1. Start with the amount claimed for employee's wages, £1159.55
2. Deduct relevant apportioned secondary threshold, £353.66
3. Multiply by 13.8% = £111.21.

F Ltd is not eligible to claim the Employment Allowance and the grant amount is less than the total NICs it will pay in respect of this employee, so £111.21 is the grant amount it can claim. **(My comment: if they do claim employment allowance it must be offset by the claim amount of national insurance see HMRC [guidance](#).)**

F Ltd then calculates the pension contribution grant using the calculation for claim periods 1 July to 31 July.

First apportion the relevant lower level of qualifying earnings (LLQE):

1. Start with the relevant LLQE for the pay period, £520.
2. Divide by the number of days in the pay period, 31
3. Multiply by the number of days in the claim, 31
4. Divide by the number of usual hours in the claim, 178
5. Multiply by the number of furlough hours in the claim, 86 = 251.24

Calculate the pension contribution grant:

1. Start with the amount claimed for wages, £1,159.55
2. Deduct the apportioned LLQE, £251.24
3. Multiply by 3% = £27.25.

Maximum Daily Rate

Now let's look at working out someone's pay who is variable and where the claim isn't for a whole week e.g. beginning of the month or end of the month.

HMRC state you will need to use a daily rate to know how much of the maximum £2,500 you can claim and is in calendar days as follows:

Month	Daily Maximum wage amount
March 2020	£80.65 per day (£2,500/31)
April 2020	£83.34 per day (£2,500/30)
May 2020	£80.65 per day
June 2020	£83.34 per day
July 2020	£80.65 per day
August 2020	£80.65 per day
September 2020	£83.34 per day*
October 2020	£80.65 per day*

Note for September and October this is the maximum you would need to pay your employee for furloughed hours (pro-rata) but you can only reclaim 70% to a cap of £2,187.50) and then 60% (to a cap of £1,875) respectively.

If claiming for multiple pay frequencies you can use a mixture and guidance on this can be found [here](#).

Example 1 – two claim periods i.e. paid weekly from 27th June to 3 July using the daily rates

Employee has a weekly pay period which ends each Friday. For their pay period 27 June to 3 July 2020 the employer will need to submit two separate claims. The employer can choose how to deal with the two parts:

- 27 to 30 June (which can be a claim on its own or the employer can combine into a single claim with the previous week, claiming for 20 to 30 June)
- 1 to 3 July (which can be a claim on its own because it immediately follows the previous claim ending 30 June, or the employer can combine it into a single claim with the following week, claiming for 1 to 10 July)

Example 2 – fixed/contractual hours working out usual hours v and furloughed hours and usual pay v furlough claim pay

An employee is contracted to work for 37 hours in each week, across 5 working days. The employee is paid weekly. The employer looks to make a flexible furlough claim for the period 1 July 2020 to 10 July 2020 (10 calendar days). There are two pay periods partially in this claim period:

- 29 June to 5 July
- 6 July to 12 July

The employer calculates the usual hours for the days in each pay period that are in the employer's claim. Information on this can be found [here](#). There is also an example of this calculation in the example using the calculator previously as a fixed hour worker.

The employer first calculates the usual hours for the days they are claiming for in the pay period 29 June to 5 July as follows:

1. Start with 37 hours (the hours your employee was contracted for at the end of the last pay period ending on or before 19 March 2020)
2. Divide by 7 (the number of days in the repeating working pattern, including non-working days)
3. Multiply by 5 (the number of calendar days in the pay period (or partial pay period) the employer is claiming for – this is a partial pay period) = 26.43 (1st July to 5th July)
4. Round up to the next whole number if the outcome isn't a whole number = 27

The employer next calculates the usual hours for the days they are claiming for in the pay period **6 July to 12 July** as follows:

1. Start with 37 hours (the hours your employee was contracted for at the end of the last pay period ending on or before 19 March 2020)
2. Divide by 7 (the number of days in the repeating working pattern, including non-working days)
3. Multiply by 5 (the number of calendar days in the pay period (or partial pay period) the employer is claiming for – this is a partial pay period) = 26.43

4. Round up to the next whole number if the outcome isn't a whole number = 27

For this claim period, the result of each pay period's calculation is added together ($27 + 27 = 54$ hours).

If then we say the normal pay for 37 hours per week is £1000.

First we need to ensure we calculate 80% up to the maximum of £2500 per month.

Claim is not a whole week, month or multiple thereof, so calculate the maximum wage amount on £80.65 per day for July. 10 days in the claim period \times £80.65 = £806.50.

For this example let's assume Joe Blog's normal pay for normal 37 hours per week is £1000 per week. To work out his pay for this period as not two straight weeks as we can only claim from 1st July in the new scheme:

First period 1st July to 5th July = $\text{£}1000 / 7$ calendar days \times 5 period days = $\text{£}714.29 \times 80\% = \text{£}571.43$ plus

6th July to 10th July = $\text{£}1000 / 7 \times 7 \times 80\% = \text{£}571.43$ = a total pay £1,142.86. The furlough pay and maximum amount that can be claimed is based on the lower of:

- The maximum wage amount, £806.50, and
- 80% of wages, £1,142.86.

Amount that can be claimed for furlough will be based on 54 usual hours over 10 days and 10 hours actually worked so furloughed for 44 hours.

$\text{£}806.50 \times 44 / 54 = \text{£}657.15$ and this is then what the National Insurance and pension would be calculated on.

Please note from August onwards no NI or pension can be claimed. From September you would still pay the employee (assuming hours the same) £657.15 but would then divide by 80 and multiply by 70 (70%) = 575.01.

October would be $\text{£}657.15 / 80 \times 60 = \text{£}492.86$ to claim.

You would refer to normal contractual arrangements for the worked hours.

Example 3 – Variable hours working employees and how to calculate their usual hours

An employee started work for an employer in 2005. The employee is paid every two weeks and was furloughed on 23 March 2020.

The employer calculates that the employee worked 1,850 hours between 6 April 2019 and 22 March 2020. This includes any hours that the employee received holiday pay for.

The employee will be paid for the pay period 1 July 2020 to 14 July 2020, and the employer is looking to make a flexible furlough claim for the same period (1 July 2020 to 14 July 2020).

The employer works out the average number of hours worked in the tax year 2019 to 2020 as follows:

1. Start with 1850 (the number of hours worked (including paid leave) in the tax year 2019 to 2020 before the employee was furloughed)
2. Divide by 352 (the number of calendar days the employee was employed for, by the employer, in the tax year 2019 to 2020, up until the day before they were furloughed)
3. Multiply by 14 (the number of calendar days in the pay period (or partial pay period) which the employer is claiming for) = 73.58
4. Round up to the next whole number because the outcome isn't a whole number = 74

The employer will also need to work out the usual hours based on the corresponding calendar period in the tax year 2019 to 2020, and use the higher figure for the usual hours.

Example 4 – What if the calendar period in 2019 overlaps two pay periods then follow this example?

An employer processes a weekly payroll and is looking to make a claim for the period 20 July 2020 to 26 July 2020 for an employee who works variable hours. The employee has worked for the employer since 2017.

The employer works out the usual hours based on the corresponding calendar period in the tax year 2019 to 2020. The corresponding calendar period in 2019 is 20 July 2019 to 26 July 2019. That period covers two pay periods in 2019:

- 15 July 2019 to 21 July 2019 (2 calendar days overlap with the 2020 pay period – 20 to 21 July)
- 22 July 2019 to 28 July 2019 (5 calendar days overlap with the 2020 pay period – 22 to 26 July)

In 2019, the employee worked the following hours:

- In the pay period starting 15 July 2019 - 28 hours
- In the pay period starting 22 July 2019 - 35 hours

The employer works out the usual hours based on the corresponding calendar period in the tax year 2019 to 2020 as follows:

1. Start with 28 (the number of hours worked in the first pay period identified in the tax year 2019 to 2020)
2. Multiply by 2 (the number of calendar days in that pay period which correspond to at least one calendar day in the pay period (or partial pay period) the employer is claiming for – 20 and 21 July)
3. Divide by 7 (the total number of calendar days in the pay period in the tax year 2019 to 2020) = 8

Step 4 is that steps 1, 2 and 3 are repeated for each subsequent identified pay period. The employer will need to repeat steps 1, 2 and 3 for the next pay period:

1. Start with 35 (the number of hours worked in the next pay period identified in the tax year 2019 to 2020)
2. Multiply by 5 (the number of calendar days in that pay period which correspond to at least one calendar day in the pay period (or partial pay period) the employer is claiming for – 22 to 26 July)
3. Divide by 7 (the total number of calendar days in the pay period in the tax year 2019 to 2020) = 25

There are no more pay periods in 2019 to consider:

1. Add them all together, $8 + 25 = 33$
2. Round up to the next whole number if the outcome isn't a whole number.

The employer will also need to work out the average number of hours worked in the tax year 2019 to 2020 and use the higher figure for the employee's usual hours as per the example above.

Example 5 - Average Pay

Employee started work for A Ltd in 1 May 2019 and was placed on furlough on 23 March 2020, earning £15,000 between 1 May 2019 and 22 March 2020 inclusive. There are 327 days between 1 May 2019 and 22 March 2020. A Ltd is claiming for 23 March to 31 March 2020. There are 9 days between 23 March and 31 March.

1. Start with £15,000 (the amount they earned in the tax year up to the day before they were furloughed)
2. Divide it by 327 (the number of days from the start of employment, up to the day before they were furloughed)
3. Multiply by 9 (the number of furlough days in this pay period)
4. Multiply by 80% - this is £330.27

You would then need to work out the furlough pay as in example 2.

If the employee commenced employment before the 6th April you would take the same example as above but it would be 352 days between 6th April and 22 March inclusive.

For further assistance please do visit Armstrong Watson's dedicated webpages which can be found [here](#) or visit HMRC's links detailed overleaf.

Links to guidance

[How the scheme is changing](#)

[What are the changes](#)

[Check to see if you can claim](#)

[Who can you furlough](#)

[Deciding the length of your claim period including crossing months for June and July](#)

[Deciding the length of your claim period including crossing months for July and August](#)

[What do you need to do before you calculate your claim](#)

[Calculator](#)

[Employment allowance rules](#)

[Examples including variable hours](#)

[Full example of flexible furlough claim](#)

[Treasury fact sheet published in May](#)

[Self employed](#)

[Circumstances affecting the self employed scheme](#)