



Employees and Furlough and Pension Contributions

Please find below a summary of the latest thinking on pension contributions and revised patterns of income. This isn't advice, but we hope it is helpful and gives you a platform to look for more personal advice if needed.

Furloughed Employees

For employers that are furloughing their employees

- They can claim up to £2,500 per month in salary for each furloughed employee.
- There is a ceiling of 80% of the employees' salary as at February 2020.
- The government grant will also include the employer's National Insurance Contributions **AND** minimum auto-enrolment contributions.
- If the employer is paying more than the minimum or decides to pay their employees at their **FULL** income then no extra can be claimed.
- The government has confirmed that the furlough scheme does not alter any existing contracts of employment.

Relevant UK Earnings

- The grants that are paid by the government to the employer which then continues to pay their employees using PAYE. Income Tax and NICs are payable in the normal way. This means these earnings are still deemed to be UK relevant earnings.
- The same principle will apply to self-employed earnings. It is thought the grants will be treated as self-employed "profits" with tax paid via self-assessment. This would mean that they would be deemed UK relevant earnings.
- Employees can start a new job when on "furlough" (meaning they might have to have 80% of old salary and 100% of a new one). Revised guidance confirms that their existing contract of employment needs to allow for this.
- Clients on commission: An employer can reclaim 80% of compulsory (contractual) commission back from HMRC. This can only be referring back to past sales and commissions and not on any new sales.
- Clients can be furloughed multiple times. Each furlough must be at least three weeks.
- Employers must notify their employees of their furlough status **in writing** and keep this record for at least five years

Sources:

- Technical Connection
- <https://www.thepensionsregulator.gov.uk/en/covid-19-coronavirus-what-you-need-to-consider>
- <http://www.commissioninghr.co.uk/>
- <https://www.hja.net/coronavirus-job-retention-scheme-furlough-leave-what-you-need-to-know/>

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