



Coronavirus Job Retention Scheme Usual Hours Calculation

Two methods, several steps

Calculating the employee's usual hours is not logical or familiar, so don't make assumptions.

CJRS claim calculations are based on calendar days of pay and calendar days of hours. You need to consider the elapsed time of the claim, and forget about working hours and days.

This is our understanding of the calculations as at 4 July 2020.

Example 1

Tom is a monthly paid salaried employee working 37.5 hours per week. He only receives a basic salary and no overtime. In the legislation Tom is referred to as a 'fixed rate' employee.

Tom has been fully furloughed since 11 April on 80% pay i.e. no top-up and is returning to work part-time on 6 July and will be working 82 ½ hours during the month of July. The employer wants to make a claim for 1 to 31 July which corresponds with Tom's pay period. The HMRC guidance (see example 2.4) indicates the employer can round up usual hours in this scenario.

The calculation would be:

Weekly contracted hours	Daily contracted hours	Days in claim and pay period	Usual hours rounded up
37.5	$37.5/7 = 5.357$	31	$5.357 \times 31 = 166.07$ $= 167$
Actual hours	82.5		
Furloughed hours	$167 - 82.5 = 84.5$		

The base salary is still the last payday before 19 March 2020 so in Tom's case, February 2020 when he was paid £2,269.62. The proportion of pay which relates to furloughed hours is $\text{£}2,269.62/167 \times 84.5 = \text{£}1,148.40$.

The employer pays 80% of Tom's usual pay for those furloughed hours: $\text{£}1,148.40 \times 80\% = \text{£}918.72$ furlough pay.

We then compare that to the pro-rated cap on earnings in July of $\text{£}2,500/167 \times 84.5 = \text{£}1,264.97$. As the furlough pay is below the cap the employer can claim all of the furloughed pay under the CJRS.

In order to calculate the employer's NIC and workplace pension contributions, we knock the pence off the furlough pay, (rounding to £918 in this case).

The NIC threshold is apportioned to the furlough hours: $\text{£}732/167 \times 84.5 = \text{£}370.38$.

- $\text{£}918 - \text{£}370.38 = \text{£}547.62 \times 13.8\% = \text{£}75.57$ employer NICs to be claimed

Pension threshold is apportioned to the furlough hours: $\text{£}520/167 \times 84.5 = \text{£}263.11$.

- $\text{£}918 - \text{£}263.11 = \text{£}654.89 \times 3\% = \text{£}19.65$ pension contributions to be claimed



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Example 2

Dick is a zero-hours employee, paid monthly who has been employed throughout 2019/20. In the legislation, Dick is referred to as a 'variable pay' employee.

Dick has also been furloughed for at least 21 days up to 30 June. He is returning to work on 13 July and will work 60 hours in the month of July at a rate of £9.30 per hour: £558 for the month.

Throughout CJRS v1 we had to consider Dick's average pay in 2019/20 and compare that to the same pay period last year and choose the best outcome for Dick. As Dick is flexi-furloughed, in CJRS v2 we have to carry out an additional first step to work out the best outcome in terms of usual hours for Dick.

Step 1: Compare average usual hours in 2019/20 to July 2019 usual hours

- July 2019 hours: 62
- Total hours 2019/20: 828.75 worked hours + 89.41 holiday hours = 918.16 / 366 days = 2.508 per calendar day in the tax year
- Claim period is 1-31 July, the same as his pay period, so usual hours are $2.508 \times 31 = 77.75 = 78$ rounded up
- Average hours are higher than July 2019 so use 78 for usual hours
- Dick works 60 hours in July.
- usual hours 78 – worked hours 60 = furloughed hours 18

Step 2: Consider the best pay outcome for Dick.

- Calculate 2019/20 average pay for a 31 day month. Total pay £8,299.07/366 = £22.675 per calendar day
- For 31 days in July = £22.68 x 31 = £703.08
- Pro-rate to furloughed hours £703.08/78 x 18 = £162.25 (rounded)

Compared to

- £558 actual pay in July 2019 £558/78 x 18 = £128.77 (rounded)
- so the average of £162.25 is higher. We would then go on to calculate 80% of £162.25 and any NIC and pension cost recovery as for Tom.

Example 3

Harry works 20 hours per week and is paid weekly. He has been employed since 2017 and has been furloughed since 10 June 2020.

The employer wants to flexi-furlough him from 1 July to 10 July 2020. He is due to work 10 hours in the week ending 5 July and 10 hours in the week ending 12 July. This claim covers two pay periods so the usual hours are now rounded up or down as appropriate mathematically (see example 2.1 of HMRC guidance).

Step 1: Week ending 5 July: 20 worked hours / 7 x 5 calendar days in claim period 1 -5 July = 14.29 rounded down to 14 hours

Step 2: Week ending 12 July: 20 worked hours / 7 x 5 calendar days in claim period 6- 10 July = 14.29 rounded down to 14 hours.

Usual hours are 14 + 14 = 28. Actual hours are 20, so furloughed hours are 8.

Harry will have some furlough pay for 28 -30 June, included in the June 2020 CJRS claim, but this is based on his pay, not usual hours, as he wasn't working at all.

You may have thought that as Harry was working 20 hours over two weeks and is paid for 40 hours we could claim for 20 hours, but that is not how the HMRC logic operates.



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Plan ahead

You must work out what you are going to be able to claim for, before deciding on the CJRS claim periods. The ability to round up for claims in line with whole pay periods may seem trivial, but it can make a difference when you have hundreds or thousands of employees in a claim.

What next?

HMRC have intimated that more updated CJRS guidance will be provided during the week ending 11 July 2020. I hope this is to add clarity rather than to make more fundamental changes.

As further information is published by the government we will update our summaries. Should you have any initial queries either contact your usual CK contact or look at the governments dedicated business support website businesssupport.gov.uk.