

What to include when calculating wages

The amount you should use when calculating 80% of your employees' wages is regular payments you are obliged to make, including:

- regular wages you pay to employees
- non-discretionary overtime
- non-discretionary fees
- non-discretionary commission payments
- piece rate payments

You cannot include the following when calculating wages:

- payments made at the discretion of the employer or a client - where the employer or client was under no contractual obligation to pay, including:
 - tips
 - discretionary bonuses
 - discretionary commission payments
- non-cash payments
- non-monetary benefits like benefits in kind (such as a company car) and salary sacrifice schemes (including pension contributions) that reduce an employees' taxable pay

The entirety of the grant received to cover an employee's subsidised furlough pay must be paid to them in the form of money. No part of the grant should be netted off to pay for the provision of benefits or a salary sacrifice scheme.

Where the employer provides benefits to furloughed employees, including through a salary sacrifice scheme, these benefits should be in addition to the wages that must be paid under the terms of the Job Retention Scheme.

Normally, an employee cannot switch freely out of a salary sacrifice scheme unless there is a life event. HMRC agrees that COVID-19 counts as a life event that could warrant changes to salary sacrifice arrangements, if the relevant employment contract is updated accordingly.

Apprenticeship Levy and Student Loans

Both the Apprenticeship Levy and Student Loans should continue to be paid as usual. Grants from the Job Retention Scheme do not cover these.

National Minimum Wage

Individuals are only entitled to the National Living Wage, National Minimum Wage or Apprentices Minimum Wage for the hours they are working or treated as working under minimum wage rules.

This means that furloughed workers who are not working can be paid the lower of 80% of their wages or £2,500 even if, based on their usual working hours, this would be below their appropriate minimum wage.

However, time spent training is treated as working time for the purposes of the minimum wage calculations and must be paid at the appropriate minimum wage, taking into account the increase in minimum wage rates from 1 April 2020. As such, employers will need to ensure that the furlough payment provides sufficient monies to cover these training hours. Where the furlough payment is less than the appropriate

minimum wage entitlement for the training hours, the employer will need to pay the additional wages to ensure at least the appropriate minimum wage is paid for 100% of the training time.

Where a furloughed worker is paid close to minimum wage levels and asked to complete training courses for a substantial majority of their usual working time, employers are recommended to seek independent advice or contact Acas.

If you're claiming for a member of a Limited Liability Partnership (LLP)

If a member of an LLP is treated as an employee (because of salaried members rules), you must only include payments that are either:

- fixed
- variable, but are varied without reference to the overall amount of the profits or losses of the LLP
- not affected by the overall amount of the LLP's profits or losses

Holiday Pay

Furloughed employees continue to accrue leave as per their employment contract.

The employer and employee can agree to vary holiday entitlement as part of the furlough agreement, however almost all workers are entitled to 5.6 weeks of statutory paid annual leave each year which they cannot go below.

Employees can take holiday whilst on furlough. Working Time Regulations require holiday pay to be paid at the employee's normal rate of pay or, where the rate of pay varies, calculated on the basis of the average pay received by the employee in the previous 52 working weeks. Therefore, if a furloughed employee takes holiday, the employer should pay their usual holiday pay in accordance with the Working Time Regulations.

Employers will be obliged to pay additional amounts over the grant, though will have the flexibility to restrict when leave can be taken if there is a business need. This applies for both the furlough period and the recovery period.

If an employee usually works bank holidays then the employer can agree that this is included in the grant payment. If the employee usually takes the bank holiday as leave then the employer would either have to top up their usual holiday pay, or give the employee a day of holiday in lieu.

During this unprecedented time, we are keeping the policy on holiday pay during furlough under review.

Employees returning from family-related statutory leave

Family-related statutory leave includes maternity leave, paternity leave, shared parental leave, adoption leave, parental bereavement leave and unpaid parental leave.

In line with other employees, claims for full or part time employees furloughed on return from family-related statutory leave should be calculated against their salary, before tax, not the pay they received whilst on family-related statutory leave. The same principles apply where the employee is returning from a period of unpaid statutory family-related leave.

Claims for those on variable pay, returning from statutory leave should be calculated using either the:

- same month's earning from the previous year
- average monthly earnings for the 2019 to 2020 tax year

Employees returning to work after being on sick pay

In line with other employees, claims for full or part time employees furloughed on return to work after time off sick should be calculated against their salary, before tax, not the pay they received whilst off sick.

Claims for those on variable pay, returning to work after time off sick should be calculated using either the:

- same month's earnings from the previous year
- average monthly earnings for the 2019 to 2020 tax year

Unpaid sabbatical or unpaid leave

If your employee has been on unpaid sabbatical or unpaid leave, you'll need to use the amount they would have been paid if they were on paid leave when calculating 80% of their wages.

Work out the maximum wage amount you can claim

The maximum wage amount you can claim is £2,500 a month, or £576.92 a week, plus any National Insurance and pension contributions you can claim for.

If the length of time you're claiming for is not one week or one month, you'll need to use the daily maximum wage amounts to work out the maximum amount you can claim for each employee.

To work out the maximum amount you can claim, multiply the daily maximum wage amount by the number of days your employee is furloughed for in your claim.

Month	Daily maximum wage amount
March 2020	£80.65 per day
April 2020	£83.34 per day
May 2020	£80.65 per day

If your employee is furloughed over two calendar months, you'll need to calculate the maximum amount for each calendar month and add them together.

If you're claiming for multiple pay periods in one claim, you can calculate the total maximum using a mixture of:

- the daily maximum wage amount
- the weekly maximum wage amount
- the monthly maximum wage amount

Example of working out the maximum wage amount for part of a pay period

A Limited company pays all of their employees weekly on each Friday and puts all of their employees on furlough on Wednesday 8 April 2020.

A Ltd will need to calculate the grant using the daily calculation for the first pay period which ends on Friday 10 April 2020. This is £83.34 multiplied by 3 days, which is £250.02.

For the next pay period, 11 April 2020 to 17 April 2020, the maximum amount is £576.92 because the pay period is a whole week, and the employee is furloughed on each day.

A Ltd makes a claim for 8 April 2020 to 17 April 2020. The maximum wage amount that they can claim for is the two amounts added, £826.94.

Work out 80% of your employee's usual wage

You must use these calculations to work out how much you can claim.

You can [use the calculator](#) to help you work out how much you can claim on the HMRC website.

The way you should work out 80% of your employee's usual wages is different depending on the way they're paid. You must [check what you can include as wages](#) first.

Choose the calculation you think best fits the way your employee is paid. For example, if you pay your employee a regular salary, use the calculation for fixed pay amounts. HMRC will not decline or seek repayment of any grant based solely on the particular choice of pay calculation, as long as a reasonable choice of approach is made.

You must pay the full amount of the grant to your employee.

Where a claim covers multiple pay periods, this calculation should be done for each and then added together.

Work out 80% of wages for fixed rate full or part time employees on a salary

Where a claim covers multiple pay periods, this calculation should be done for each and then added together.

Claim for the 80% of the employee's wages, from their last pay period before 19 March 2020.

If you have already calculated your claim based on the employee's wages as of 28 February 2020, and this differs from their wages in their last pay period prior to 19 March 2020, you can choose to still use this calculation for your first claim.

To work out 80% of your employee's wage:

1. Start with your employee's wages, which is their last pay period before 19 March - if you're claiming for a full pay period, skip to step 4.
2. Divide by the total number of days in the pay period.
3. Multiply by the number of furlough days in the pay period.
4. Multiply by 80%.

Example

Worker started work for B Ltd in 1997 and is paid a regular monthly salary on the last day of each month. The worker agreed to be placed on furlough from 23 March 2020. The worker was paid £2,400 for the last full monthly pay period before 19 March 2020. There are 9 days between 23 March and 31 March.

1. Start with £2,400 (employee's wages)
2. Divide by 31 (the total number of days in March)
3. Multiply by 9 (the number of furlough days in March)
4. Multiply by 80% - which is £557.42

If your employee has not been paid for a full pay period up to 19 March 2020

If your employee has not been paid for a full pay period up to 19 March 2020, you'll need to work out what their usual wages are and then calculate 80%. To do this:

1. Start with amount they've been paid in their last pay period.
2. Divide by the number of days in their last pay period (including non-working days).
3. Multiply by the number of days that would have been in that pay period.
4. Divide by the total number of days in this pay period.
5. Multiply by the number of furlough days in this pay period.
6. Multiply by 80%.

Example

Employee started work for B Ltd on 21 February 2020 and is paid on the last day of each month. The employee had not had a full pay period up to 19 March 2020, but was paid £700 as a pro-rata of their salary on 29 February 2020. There are 9 days between 21 February and 29 February. The employee agrees to be furloughed from 25 March 2020. There are 7 days between 25 March and 31 March.

1. Start with £700 (the amount they were paid in their last pay period)
2. Divide by 9 (the number of days in their last pay period – including non-working days)
3. Multiply by 29 (days in February)
4. Divide by 31 (the total number of days in the March pay period)
5. Multiply by 7 (the number of furlough days in the March pay period)
6. Multiply by 80% - which is £407.46

Employees whose pay varies and were employed from 6 April 2019

If the employee has been employed continuously from the start of the 2019 to 2020 tax year, you can claim the highest of either:

- 80% of the same month's wages from the previous year (up to a maximum of £2,500 a month)
- 80% of the average monthly wages for the 2019 to 2020 tax year (up to a maximum of £2,500 a month)

To calculate 80% of the same month's wages from the previous year:

1. Start with the amount they earned in the same period last year.
2. Divide by the total number of days in this pay period - including non-working days.
3. Multiply by the number of furlough days in this pay period.
4. Multiply by 80%.

Example of claiming for the same period last year

A Ltd pays an employee on a weekly basis. The employee's pay period starts on 23 March 2020 and ends on 29 March 2020. The employee was paid £350 for 23 March 2019 to 29 March 2019. The employee was furloughed for the whole week.

1. Start with £350 (the amount they earned in the same period last year)
2. Divide by 7 (the total number of days in this pay period)
3. Multiply by 7 (the number of furlough days in this pay period)
4. Multiply by 80% - this is £280

To work out 80% of the average monthly wages for the last tax year:

1. Start with the amount they earned in the tax year up to the day before they were furloughed.
2. Divide it by the number of days from the start of the tax year - including non-working days (up to the day before they were furloughed, or 5 April 2020 – whichever is earlier).
3. Multiply by the number of furlough days in this pay period.
4. Multiply by 80%.

Example of working out 80% of average monthly wages for the last tax year

Worker started work for A Ltd in 2010 and was placed on furlough on 23 March 2020, earning £15,000 between 6 April 2019 and 22 March 2020 inclusive. There are 353 days between 6 April 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 353 (the number of days from the start the tax year, 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 £305.95

Employees whose pay varies and who started employment after 6 April 2019

If the employee started their employment after 6 April 2019, claim for 80% of their average monthly wages since they started work until the date they are furloughed, up to a maximum of £2500 per month.

To work out 80% of your employee's average monthly earnings:

1. Start with the amount they earned in the tax year up to the day before they were furloughed.
2. Divide it by the number of days they've been employed since the start of the tax year – including non-working days (up to the day before they were furloughed or 5 April 2020 – whichever is earlier).
3. Multiply by the number of furlough days in this pay period.
4. Multiply by 80%.

Every day or period after the employee commenced employment with the employer is counted in making this calculation. This includes days when no work was undertaken.

Example of working out 80% of average monthly wages for the last tax year

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 the tax year, 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 £330.28

Work out how much you can claim for employer National Insurance contributions

You can claim reimbursement for the cost of some or all of the Class 1 employer National Insurance contributions paid on the gross pay grant you pay to the employee.

You can choose to provide top-up salary in addition to the grant. Employer National Insurance contributions on any additional top-up salary will not be funded through this scheme.

Working out what you can claim

The total grant for employer National Insurance contributions cannot exceed the total amount of employer National Insurance contributions you are due to pay.

In calculating the total employer National Insurance contributions paid in any pay period, the employer should subtract any Employment Allowance used in that pay period. If you have not, or do not expect to pay any employer National Insurance contributions in a pay period as a result of the Employment Allowance, you should not claim any employer National Insurance contributions costs for furloughed employees in that pay period. If you expect to exhaust any Employment Allowance in a pay period then you should claim the lower of the employer National Insurance contributions grant calculation, and the employer National Insurance contributions costs that you paid, or expect to pay across your entire payroll.

The total employer National Insurance contributions due in a pay period should be apportioned on a daily basis, with the amount apportioned to any qualifying furlough days forming the basis of the amount that can be claimed through the scheme.

If your employee is furloughed for the whole pay period, and you do not top up their pay

To work out how much you can claim to cover employer National Insurance contributions:

1. Start with the grant you're claiming for employee's wages.
2. Minus the relevant secondary National Insurance contributions threshold.
3. Multiply this amount by 13.8%.

Tax year	National Insurance contribution thresholds
2019 to 2020	£166 per week, £719 per month or £8,632 per year
2020 to 2021	£169 per week, £732 per month or £8,788 per year

Example

A Ltd pays employees on a calendar monthly basis. An employee was furloughed on 1 April 2020 is paid £1,500 of furlough pay on 30 April 2020. A Ltd did not top up the employee's pay.

1. Start with £1,500 (the grant you're claiming for employee's wages)
2. Minus £732 (the relevant secondary National Insurance contributions threshold)
3. Multiply this amount by 13.8% - this is £105.98

The total amount of the grant that can be claimed towards employer National Insurance contributions is £105.98 for this employee. A Ltd should also consider whether the claim needs to be adjusted for any amount of Employment Allowance that A Ltd might claim.

If your employee is not furloughed for the whole pay period or you top up their pay

If the pay period covers both furloughed and working periods, or you top up your employees pay over the amounts covered by the grant the following steps will help you calculate the amount of employer National Insurance contributions for each employee:

1. The amount of pay minus the relevant National Insurance contributions secondary threshold.
2. To calculate the employer National Insurance contributions due on an employee's total pay for the pay period, the result of Step 1 is multiplied by 13.8%.
3. Divide the amount of employer National Insurance contributions due for the pay period by the number of days in the pay period.
4. The grant is capped at the total amount of employers' National Insurance contributions due to be paid in respect of an employee. Multiply the result of Step 3 by the number of qualifying furlough days in the pay period.
5. Multiply the result of Step 4 by the proportion of pay received in respect of the qualifying furlough days that is funded by the grant.

Example

An employee who is paid a fixed amount monthly agrees to be furloughed by A Ltd on 16 April 2020. The employee's gross pay at the end of the month is £2,160. This is made up of £1,200 of wages funded by A Ltd, in respect of 1 to 15 April (15 days), and £960 of pay wholly funded by a grant in respect of 16 to 30 April (15 days). The total employer National Insurance contributions due for the pay period is apportioned on a daily basis to determine how much can be covered by a grant for employer National Insurance contributions.

1. £2,160 minus £732 (the amount of pay minus the relevant National Insurance contributions secondary threshold)
2. Multiply by 13.8% (this gives you the amount employer National Insurance contributions due on an employee's total pay for the pay period)
3. Divide by 30 (the number of days in the pay period)
4. Multiply by 15 (the number of furlough days in the pay period)
5. Multiply by 100% (because the employee's wage is not being topped up) - this is £98.53

A Ltd can claim £98.53 in respect of the employer National Insurance contributions due on the employee's March pay. The total grant for employer National Insurance contributions cannot exceed the total amount of employer National Insurance contributions due to be paid.

Example

If A Ltd chooses to top up the same employee's pay to 100% during the period of furlough, the employer National Insurance contributions must be apportioned between the pay funded by the grant and the pay funded by the employer. The employee's total pay in this example is £1,200 in respect of 1 to 15 April and £1,200 (made up of £960 grant-funded pay and £240 employer-funded pay) in respect of 16 to 30 April, totalling £2,400.

1. £2,400 minus £732 (the amount of pay minus the relevant National Insurance contributions secondary threshold)
2. Multiply by 13.8% (this gives you the amount employer National Insurance contributions due on an employee's total pay for the pay period)
3. Divide by 30 (the number of days in the pay period)
4. Multiply by 15 (the number of furlough days in the pay period) Step 5: Multiply by £960 / £1,200 (this is the furlough pay received for the furlough period divided by the total pay received for the furlough period) - this equals £92.07

A Ltd can claim £92.07 in respect of the employer National Insurance contributions due on the employee's March pay. The total grant for employer National Insurance contributions cannot exceed the total amount of employer National Insurance contributions due to be paid.

Before you claim for employer National Insurance contributions

Employer National Insurance contributions is payable on all pay over the secondary threshold at a rate of 13.8%. Employers may be eligible for the Employment Allowance. In the 2019 to 2020 tax year the allowance was £3,000 and was available to all employers. From 6 April 2020 the Employment Allowance is £4,000 but is only available to employers whose Employer Secondary National Insurance contributions liability in the previous year was under £100,000.

Employers can use the Employment Allowance to reduce their employer National Insurance contributions bill across each payroll until the allowance is exhausted or the end of the tax year, whichever comes first.

No employer National Insurance contributions due

If there is no employer National Insurance contributions due then the amount of the grant towards employer National Insurance contributions is zero. This could be the case for:

- apprentices under 25 (category H)
- employees under 21 (category M)
- employees under 21 who can defer NI because they're already paying it in another job (category Z)
- employers whose employer National Insurance contributions bill is reduced to £0 by the Employment Allowance

Work out how much you can claim for employer's pension contributions

You'll still need to pay pension contributions on behalf of your furloughed employees, and you can claim for these up to the level of the mandatory employer contribution, even if it's not an auto-enrolment pension.

You cannot claim for any pension contributions:

- if there are no contributions made, or due to be made for an employee
- you make that are above the [mandatory employer contribution](#)

You'll need to work out how much you can claim for employer's pension contributions.

1. Start with the [amount you're claiming for the employee's wages](#).
2. Deduct the minimum amount your employee would have to earn in the claim period to qualify for employer pension contributions – this is £512 a month for periods before 5 April 2020, and £520 a month for periods after 6 April 2020.
3. Multiply by 3%.

Grants for pension contributions can be claimed up to this cap provided the employer pays the whole amount claimed to a pension scheme for the employee as an employer contribution.

Example if employee is furloughed for the whole pay period, and you do not top up their pay

A Ltd pays employees on a monthly basis. An employee was furloughed on 1 April 2020 and is paid £1,500 of furlough pay on 30 April 2020. A Ltd did not top up the employee's pay. A Ltd pays employer pension contributions into the employee's pension.

1. Start with £1,500 (this is the gross pay grant)
2. Deduct £520 (this is the Lower Level of Qualifying Earnings)
3. Multiply by 3% = £29.40

A Ltd can claim £29.40 towards employer contributions it makes into the employee's pension.

Example – employer makes contributions above the minimum level of contributions for an auto-enrolment pension

A salaried employee of A Ltd earns £2,125 per month, and is furloughed from 1 May 2020 to 31 May 2020. A Ltd has agreed to top up the employee's salary to its usual amount, including making employer pension contributions which are usually 3% of the employee's entire salary. The amount of gross pay grant is 80% of £2,125, which is £1,700.

The grant that can be claimed towards the employer pension contributions is the lower of the minimum level of contributions for an auto-enrolment pension, based on the furlough payment, and the amount actually paid by A Ltd.

The minimum level of auto-enrolment contributions is:

1. Start with £1,700 (this is the gross pay grant)
2. Deduct £520 (this is the Lower Level of Qualifying Earnings)
3. Multiply by 3% = £35.40

The total employer pension contribution made by A Ltd under the terms of the pension scheme is the gross pay to the employee of £2,125 multiplied by 3%, which equals £63.75.

As A Ltd can only claim the lower of the minimum level of contributions for an auto-enrolment pension (based on the furlough payment) and the amount actually paid into the employee's pension, they can claim £35.40 to cover employer pension contributions.

Example of how to calculate the grant towards employer pension contributions where the employee is furloughed during the pay period

Where an employee is paid for a pay period where only some of the days are furlough days then the Lower Level of Qualifying Earnings should be apportioned on a daily basis.

A Ltd pays employees on the last day of every month. A Ltd pays employer pension contributions into employees' pensions in line with the minimum level of contributions for an auto-enrolment pension.

An employee agrees to be furloughed from 16 April 2020.

Their April 2020 gross pay is £1,501.20. This is made up of £810 which they earned before being furloughed, and £691.20 of furlough pay.

The amount of the grant which A Ltd can claim towards their employer pension contributions is:

1. Start with £691.20 (this is the furlough pay)
2. Deduct £260 (this is a proportion of the Lower Level of Qualifying Earnings)
3. Multiply by 3% = £12.94

The minimum level of auto-enrolment pension contributions on the furlough pay is £12.94.



A Ltd can claim for the lower of £12.94 or the employer pension contributions due on the furlough pay under the terms of the pensions scheme. in respect of the furlough pay.

The Lower Level of Qualifying Earnings in this example is calculated as £520 divided by 30 days (the number of days in April), and then multiplied by 15 days (the number of days that the employee is furloughed in April).