

Coronavirus Job Retention Scheme  
Calculation and Rounding

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## Job Retention Scheme Claim Calculation

There is a vast amount of information available, from a range of sources, regarding recent changes caused by COVID-19. As a result, there are conflicting views on the exact approach for calculating furlough payments and resulting Job Retention Scheme (JRS) claims.

Given the timescales available to release the guidance, there have been inconsistencies with the practical application of the calculations. For instance, the HMRC calculator does not match their own published guidance.

IRIS want to provide our customers with comfort that though our software calculations may not match the exact outcome of online calculators (down to the penny), they have been produced in line with the guidance and are fully compliant. We do not expect that claims will be heavily scrutinised, however it will be important to show that the correct data has been inputted, should you receive an audit in the future.

Possible Reasons our software may not match online calculators include:

1. The National Insurance calculation is a two-step calculation with rounding at each step, whereas the Employer's NI Reclaim calculation begins with a single step
2. For employees furloughed for part of a pay period, the guidance or examples published by HMRC use rounding at the end of the calculation, whereas some of our calculations round to a daily rate
3. The guidance or examples published by HMRC calculate using a rounded daily rate, whereas some of our calculations round at the end
4. HMRC calculator uses whole pounds to calculate NI and pension reclaim values, whereas we are using the full amount

## Guidance Available to IRIS

1. Step-by-step guidance issued to **software developers** (17/04/2020) contains no detail on rounding
2. Step-by-step guidance issued to **employers** (23/04/2020) uses rounding to daily rates
3. HMRC online guidance (update 27/04/2020) does not use daily rounding rates

<https://www.gov.uk/furlough-guidance>

4. HMRC video explaining calculation uses daily rounding rates (published 22/04/2020)

<https://www.youtube.com/watch?v=Viq4AgwozMk&list=PL8EcnheDt1zhTsyhT9ak3xiXnmIvbHJJV&index=4>

5. HMRC calculator only uses whole pounds, whereas our calculations use pounds and pence

## Examples Scenarios of Rounding

### NI Calculation Rounding

Employee is 2-Weekly paid on £366.04

#### NI Calculation

$£366.00 - £338.00 * 13.8\% \text{ rounded} = £3.86$

$0.04 * 13.8\% \text{ rounded} = 0.00$

Employer NI =  $£3.86 + 0.00 = £3.86$

#### NI Reclaim Calculation

$£366.04 - £338.00 * 13.8\% \text{ rounded} = £3.87$

### NI Reclaim Daily Rounding

Monthly paid employee. Normal Pay = £2,123.56. Furloughed 17 days out of 30. No top-up pay

#### Round at the end of the calculation

Pay for 13 days =  $£2,123.56/30*13 = £920.21$

Furlough Pay for 17 days =  $£2,123.56/30*17 * 80\% = £962.68$

NI =  $£1,882.89 - £732 * 13.8\% = £158.82$

**Reclaim =  $£158.82/30*17 = £90.00$**

### Rounding to daily rates

Pay for 13 days =  $£2,123.56/30*13 = £920.21$

Furlough Pay for 17 days =  $£2,123.56/30*17 * 80% = £962.68$

NI =  $£1,882.89 - £732 * 13.8% = £158.82$

**Reclaim =  $£158.82/30 = £5.29 * 17 = £89.93$**

### Pension Calculation and Reclaim

Monthly paid employee. Normal Pay = £2,123.56. Furloughed 17 days out of 30. No top-up pay

### Round at the end of the calculation

Pay for 3 days =  $£2,123.93/30*3 = £212.39$

Furlough Pay for 27 days =  $£2,123.93/30*27 * 80% = £1,529.23$

Pension =  $£1,741.62 - 520 * 3% = 36.65$

**Reclaim =  $£1,529.23 - (£520/30*27) * 3% = £31.84$**

### Rounding to daily rates

Pay for 3 days =  $£2,123.93/30*3 = £212.39$

Furlough Pay for 27 days =  $£2,123.93/30*27 * 80% = £1,529.23$

Pension =  $£1,741.62 - £520 * 3% = £36.65$

**Reclaim =  $£1,529.23 - (£17.33*27) * 3% = £31.84$**

**Note:** In general, the pension calculations will result in the same outcome because they are multiplied by a low number, so that chances of getting different answers is much smaller.