

Furloughing A DIRECTOR

It has finally been confirmed that a director can in theory be furloughed BUT whilst furloughed they can't do any work which makes money for or provides services to the company apart from undertaking their statutory duties (e.g. filing accounts).

This detail was only clarified yesterday and is clear from the CBI website – there are Q&A's at the bottom or if you watch the video it's about 27 – 28 minutes in <https://www.cbi.org.uk/articles/daily-coronavirus-webinar-job-retention-scheme-27-03-2020/>

Dividends don't qualify for the furlough, so the only benefit would be 80% of the monthly salary (i.e. 80% x £719 = £575.20 in a lot of cases).

A short summary of the furlough process is effectively as follows:

- You need to identify the employees that you will request to furlough and seek their agreement to it.
- A formal letter should be sent to the employee confirming the furlough.
- The Government will fund 80% of their gross pay (capped at £2,500) + e'er NI and statutory pension obligations in due course (see later)
- It is up to the company whether they wish to fund the additional 20% themselves or not. In practice, most companies are choosing not to.
- An employee must be furloughed for a minimum of 3 weeks.
- This can be extended at the end of that period or they can return to work.
- Where the employee is salaried the amount on which their calculations are based is their salary as of 28 February 2020.
- The pay is processed through the payroll in the usual way and the company pays the employee their wages. Where only 80% is to be paid it is the 80% that is processed as the gross pay.
- HMRC are creating a new online portal through which details of furloughed employees must be reported. They expect this to be available by the end of April 2020.
- Companies will only be able to submit one claim every 3 weeks.
- In cash terms companies are therefore unlikely to receive any of the grant until May.
- The grant is taxable for corporation tax purposes.

More detailed guidance on the job retention scheme can be found at:

[Claim for your employee's wages through the Coronavirus Job Retention Scheme](#)

[Check if your employer can use the Coronavirus Job Retention Scheme](#)

[The Coronavirus Job Retention Scheme: furlough guidance](#)



Mike Cahill - Partner
michael.cahill@albertgoodman.co.uk

Contact

01823 286096

www.albertgoodman.co.uk

@AG_LL