

# COVID-19

## PSC Contractor

### FAQs



Due to the impact of COVID-19 on the UK, the government has announced a Coronavirus Job Retention Scheme (CJRS) allowing employers to claim a grant of up to 80% (up to £2,500 per month) of wage costs for employees (including directors) who are furloughed.

For the employer to be eligible to reclaim the grant the employee must not carry out any revenue generating work for the limited company, although a director can carry out statutory duties for the limited company such as ensuring accounts are filed on time.

HMRC guidance on the scheme can be viewed [here](#).

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## Are all contractors able to utilise CJRS?

The scheme is available to those whose contract is impacted by COVID-19. In other words if the reason that you have no work is COVID-19 related (for example the client site has shut down or the client has terminated contracts due the uncertainty) you will be able to utilise the scheme. The grant is not available if the reason for not working is not related to COVID-19.

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## What is the eligibility criteria for CJRS?

The scheme is available if:

- Your limited company had a PAYE payroll scheme on or before 19 March 2020
- The director or employee was employed and paid by the limited company on or before 19 March 2020 with the required payroll notification sent to HMRC by this date
- The company has suffered a loss of trade because of COVID-19

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## Do I qualify for help under the COVID-19 Self-employment Income Support Scheme?

The COVID-19 Self-employment Income Support Scheme is only available for individuals who are operating as self-employed i.e. working as un-incorporated business under their own name such as a sole trader or in a partnership. Unfortunately, this scheme does not extend to individuals working through a limited company such as PSC Contractors.

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## Can I claim a grant for lost dividends or lost contract income?

Grant funding under CJRS is only available for help with wage costs and does not extend to dividends or lost contract income.

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## Am I eligible for grant funding if I am not working but my agency continue to pay my PSC?

If your limited company is still being paid for the period of the furlough, such as a retainer payment or through other help schemes (such as a public sector scheme) grant funding under CJRS would not be available. In these instances your company would be considered as trading on an ongoing basis.

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## Can I carry out work on behalf of the company whilst I am on furlough?

An employee or director is unable to carry out any revenue generating work for the limited company whilst they are furloughed. This applies to revenue generating work, i.e. working for clients or customers, whether on a full time or part time basis. HMRC have confirmed as a director you can continue to carry out the statutory duties of running your limited company, examples include, filing accounts, paying taxes etc.

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## What is the process to furlough a director or employee?

Your limited company should agree with you and any employees the individual is being furloughed. It is good practice for the limited company to issue minutes of a meeting of the decisions made and issue a letter from the limited company to you as the director and any relevant employees. [A template can be found here.](#)

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## From what date will grant funding be available for a director or employee who has been furloughed?

Claims should be started from the date that the director or employee finishes work and starts furlough, the earliest date this can be is 1st March 2020.

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## How long will grant funding for furloughed employees be available for?

Grant funding under the scheme will be available for the period from March to October. From August the amount of funding available will be tapered.

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## How much will my company receive in grant funding?

Directors are usually paid a fixed salary (not variable pay) by their limited company. Between March to July the grant funding will cover the lower of 80% of the director's wage at 19/03/2020 or £2,500 per month, plus any Employer National Insurance costs. This would also apply to employees who are paid a fixed salary amount.

From August the government will continue to pay 80% of wages up to a maximum of £2,500 per month, employers will be required to cover the cost of employers national insurance and pension contributions, no contribution from the government will be available for these costs from August onwards.

From September the amount claimable for wage costs will be reduced to 70% up to a maximum of £2,187.50 per month, the employers will be required to pay 10% of wages to make up 80% of pay up to £2,500 per month.

This will be further reduced to 60% of wages up to a cap of £1,875 per month, the employers will be required to pay 20% of wages to make up 80% of pay up to £2,500 per month.

Employees who are paid variable pay are entitled to claim for the higher of either:

- the same month's earning from the previous year
- average monthly earnings from the 2019-20 tax year

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## Should I continue to pay my normal salary and claim a grant for 80% or pay myself a reduced salary equivalent to the amount of the grant?

Although not obligated to do so your limited company can if it chooses pay more than the amount available under the grant. For directors normally it is tax efficient to opt to continue to pay the usual tax efficient salary you would pay yourself as a director but you should consider your cash flow over the next few months.

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## Is the wage received whilst on furlough taxable?

Yes the furlough wage payments are considered income and will be taxed in the same way as employment income would be, i.e. subject to PAYE and NIC.

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## Should I wait to receive the grant before paying the furlough wage?

It is up to you. Your limited company could pay the wages of the furloughed employee whilst waiting for the grant funding. You should make this clear in any furlough letter. This can be paid from any funds held in the company even if these funds are held for taxes, once the grant funding is received the funds would be replenished.

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## Can I continue to pay dividends whilst furloughed?

Your limited company can continue to pay dividends to yourself as the shareholder from any existing profits held by the company. The payment of dividends has no impact on the ability to claim grant funding from HMRC.

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## Can a director or employee complete volunteer work or training whilst on furlough?

A furloughed employee can take part in volunteer work or training, as long as it does not provide services to or generate revenue for, or on behalf of the employer.

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## What if I am receiving Statutory Sick Pay?

An individual cannot be furloughed if they are on sick leave, during this period they can receive Statutory Sick Pay. They can be furloughed once the sick leave period ends.

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## How will the grant funds be accounted for in my limited company once they are received?

The receipt of grant funding will be accounted for as income for the company, the payment of the furloughed wages will be deductible revenue cost which will leave a tax neutral position.

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