



COVID-19 CJRS Extension

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.

Initially the scheme was due to run from March 2020 to October 2020, however, at the end of October it was announced the scheme is being extended, with further confirmation in November that the extended scheme will last until the end of March 2021.

For the employer to be eligible to reclaim the grant the employee must not carry out any revenue generating work for the limited company.

However 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
- The director or employee was employed and paid by the limited company with the required payroll notification sent to HMRC by the relevant deadline
- 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. 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. For those employees furloughed for the first time under the extension the earliest date can be 1st November.

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

When first launched the scheme was made available for a period of three months from March 2020 to the end of June 2020. In May 2020 the government then decided to extend the scheme to continue up to the end of October 2020, with certain changes being made. Although, the scheme was extended at this point the extension was only for employees who already been furloughed, the scheme was closed to new entrants from 30th June 2020.

A further announcement by the government in October 2020 extended the scheme to 31st March 2021. In this latest extension the scheme was made available for all eligible employees regardless of if they had been furloughed previously or not.

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How much will my company receive in grant funding for wages?

Directors are usually paid a fixed salary (not variable pay) by their limited company. The funding will cover up to 80% of the director's wage (capped at or £2,500 per month). This would also apply to employees who are paid a fixed salary amount.

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Does the grant funding cover other employer costs?

For the period to July 2020 the grant funding did also cover employer's national insurance and employer pension contributions. These costs stopped being covered by the grant funding from August 2020 and must be paid by the employer.

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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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