

# Covid 19 – Guidance for Employers - Pay and Pension Benefits

**At this rapidly changing time we have put together some Q&As around how businesses can deal with questions of pay and pensions. We will update this guidance as further developments arise. Please contact your usual LEBC contact by email for specific questions. We would also recommend that you review the information produced by Government which provides detailed guidance and is likely to be updated frequently. <https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>**

**Q1. Who can apply to have staff wages paid by the Government scheme during the Coronavirus outbreak?**

A. Employers can apply to the Job Retention Scheme so that instead of laying off the employee without pay, (furlough) or making them redundant, the employer can receive financial support while maintaining their employment. It includes full and part time, agency workers and those on zero hours.

This can include employees already made redundant after 28 February, providing they are re hired. During this time employees retain their legal employment rights, continue to accrue holiday and to receive ongoing pension contributions. To qualify the employee must do no work. This scheme cannot be used for the wages of those who are working, but at lower capacity.

**Q2. What level of support will businesses get to help pay the wages of staff?**

A. Up to 80% of furloughed workers' wage costs (Based on February 19 PAYE) with a cap of £2,500 per month per employee. Employers may top this up, if they can afford to do so, but will not be required to do so. This scheme is for 3 months initially but may be extended at the end of May.

Employer NI and minimum auto enrolment pension contributions, based on the pay provided by the grant, for these furloughed (on



unpaid leave) employees can be claimed on top of this.

**Q3. When will this be paid?**

A. HMRC expect to start this process in April payroll, backdated to 1 March. It is not automatic; employers need to apply on behalf of those staff who have no work every 3 weeks.

**Q4. How will this affect the business and employee's tax liability?**

A. Payments are subject to the normal tax and NI deductions through PAYE. This policy is like a group income protection policy, with the Government acting as the insurer, remitting funds to employers for onward payment to eligible employees via PAYE.

Employees must continue to pay their minimum auto enrolment contributions from their pay, whether they are furloughed or not.

Grants received under the scheme will be treated as income received by the business and will be taxable.

**Q5. Can we offer furlough to employees who are on sick leave or self-isolating or on maternity leave?**

A. No, they are not eligible for this scheme. They should continue to receive Statutory Sick Pay and any additional sick pay provided under

their contracts. Those on unpaid leave before 28 February for other reasons are also ineligible. Once the period of sick leave or other leave ends, they may become eligible. Employees shielding (over 70 or underlying health conditions) can be furloughed.

Employees on maternity leave or about to start maternity leave should be paid Statutory Maternity Pay at the usual rate of 90% of earnings for 6 weeks followed by 33 weeks at the lower of 90% of earnings or £151.20 per week. This also applies to paternity, adoption and shared parental leave.

**Q6. We are due to pay pension contributions to our pension provider but would prefer not to until we are able to reopen, can we hold on to these for the time being?**

A. Pension contributions deducted from salary must be paid to the provider by the 22nd day of the month following deduction date. This legislation still applies and employers who fail to comply with this and will be breaking the law and subject to fines and penalties.

**Q7. What is the statutory minimum pension contributions an employer must pay?**

A. The statutory minimum requirement is 8% of qualifying earnings of which the employer must pay at least 3%. Qualifying earnings include salary, wages, bonuses, statutory pay received during sick leave, paternity, maternity, or any other kind of family leave. For the 2020/21 tax year qualifying earnings are banded between £6,240 and £50,000, i.e. the first £6,240 is non-pensionable.

Many employers pay a higher level or contribution and/or have a more generous definition of pensionable pay. If you are considering making changes you need to review contracts of employment to determine whether you can vary contributions at your discretion and if a consultation period is required. We strongly recommend any employers considering such changes should discuss the matter with their LEBC Corporate Consultant.

**Q8. A few employees have said they wish to opt out of the pension scheme due to short term cashflow. How do we arrange this?**

A. Members may opt out if they wish. However,

we would ask them to consider that the savings they may make by doing so will be lower than the total contributions they are giving up. This will reduce the size of their pension fund in retirement. The Coronavirus outbreak, while severe, is expected to be short lived and they need to continue to plan for their longer-term future. We would be able to speak to them over the phone to discuss this.

It is important that employers do not proactively offer this option to staff, as this could be interpreted by the Pensions Regulator as an attempt to persuade staff to opt out. This could incur a fine from tPR.

**Q.9. Our employees are due to have review meetings with LEBC/ Aspira, can these still go ahead?**

A. If these meetings can be conducted remotely by phone or video conference then yes, they can go ahead. We would encourage employees to take advantage of this, so we can help them to review their investment options and ensure that nominations for benefits payable on death are updated.

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