

How the Job Retention Scheme could impact your employees: three examples

Example one

Employee is paid a fixed salary of £35,000 per annum and the employer has decided that they will not be making a top-up payment. The employee is a member of a relief-at-source auto-enrolment pension scheme, with 3% employer contributions and 5% employee contributions.

Annual earnings
= **£35,000**

Monthly earnings
= **£2,917**

Employer grant

80% of monthly earnings		£2,917	* 80%=	£2,333
Employer NI	£732	0%	£ -	
	<u>£1,601</u>	13.8%	<u>£221</u>	
	<u>£2,333</u>			£221
Minimum employer auto-enrolment	£520	0%	£ -	
	<u>£1,813</u>	3%	<u>£54</u>	
	<u>£2,332</u>			£54
Grant available				£2,609

Employee net pay estimate

80% of monthly earnings		£2,917	* 80%=	£2,333
PAYE	£1,042	0%	£ -	
	<u>£1,292</u>	20%	<u>£258</u>	
	<u>£2,333</u>			£258
Employee NI	£792	0%	£ -	
	<u>£1,541</u>	12%	<u>£185</u>	
	<u>£2,333</u>			£185
Net employee pension contribution				£73
Employee net pay estimate				£1,818

Notes

- 2020/21 UK tax, National Insurance and auto-enrolment pension rates used
- Pension deduction and method of tax relief will depend on scheme details: relief-at-source method used in example
- Student loan deductions not included
- PAYE calculation assumes standard tax code of 1250L



Example two

Employee is paid a variable salary. Their employer has decided that they will not be making a top-up payment. The employee is a member of a relief-at-source auto-enrolment pension scheme, with 3% employer contributions and 5% employee contributions.

They received the following income each month during the 2019/20 tax year:

Month	Salary
April	£1,900
May	£900
June	£2,800
July	£400
August	£950
September	£1,500
October	£1,650
November	£1,000
December	£2,200
January	£2,000
February	£1,900
March	£1,800

Notes

- 2020/21 UK tax, National Insurance and auto-enrolment pension rates used
- Pension deduction and method of tax relief will depend on scheme details: relief-at-source method used in example
- Student loan deductions not included
- PAYE calculation assumes standard tax code of 1250L

Employee is furloughed from April, monthly earnings for April =
 higher of (1) earnings in same month last year £1,900
 (2) average of earnings from 2019/20 tax year £1,583
 Monthly earnings for April = £1,900

Employer grant

80% of monthly earnings	£1,900	* 80%=	£1,520
Employer NI	£732	0%	£ -
	<u>£788</u>	13.8%	<u>£109</u>
	£1,520		£109
Minimum employer auto-enrolment	£520	0%	£ -
	<u>£1,000</u>	3%	<u>£30</u>
	£1,520		£30
Grant available			<u>£1,659</u>

Employee net pay estimate

80% of monthly earnings	£1,900	* 80%=	£1,520
PAYE	£1,042	0%	£ -
	<u>£478</u>	20%	<u>£96</u>
	£1,520		£96
Employee NI	£792	0%	£ -
	<u>£728</u>	12%	<u>£87</u>
	£1,520		£87
Net employee pension contribution			£40
Employee net pay estimate			<u>£1,297</u>

Monthly earnings for May =
 higher of (1) earnings in same month last year £900
 (2) average of earnings from 2019/20 tax year £1,583
 Monthly earnings for May = £1,583

Employer grant

80% of monthly earnings	£1,583	* 80%=	£1,267
Employer NI	£732	0%	£ -
	<u>£535</u>	13.8%	<u>£74</u>
	£1,267		£74
Minimum employer auto-enrolment	£520	0%	£ -
	<u>£747</u>	3%	<u>£22</u>
	£1,267		£22
Grant available			<u>£1,363</u>

Employee net pay estimate

80% of monthly earnings	£1,583	* 80%=	£1,267
PAYE	£1,042	0%	£ -
	<u>£225</u>	20%	<u>£45</u>
	£1,267		£45
Employee NI	£792	0%	£ -
	<u>£475</u>	12%	<u>£57</u>
	£1,267		£57
Net employee pension contribution			£30
Employee net pay estimate			<u>£1,135</u>

Example three

Employee is paid a fixed salary of £35,000 per annum and employer decides to make a top-up payment in order that they continue to receive £35,000 per annum after the job retention grant is taken into account. The employee is a member of a relief-at-source auto-enrolment pension scheme, with 3% employer contributions and 5% employee contributions

Annual earnings
= **£35,000**

Monthly earnings
= **£2,917**

Employer grant

80% of monthly earnings	£2,917	* 80%=	£2,333
Employer NI	£732	0%	£ -
	<u>£1,601</u>	13.8%	<u>£221</u>
	£2,333		£221
Minimum employer auto-enrolment	£520	0%	£ -
	<u>£1,813</u>	3%	<u>£54</u>
	£2,333		£54
Grant available			£2,609

Employee net pay estimate

80% of monthly earnings	£2,917	* 80%=	£2,333
20% top up	£2,917	* 20%=	£583
			£2,917
PAYE	£1,042	0%	£ -
	<u>£1,875</u>	20%	<u>£375</u>
	£2,917		£375
Employee NI	£792	0%	£ -
	<u>£2,125</u>	12%	<u>£255</u>
	£2,917		£255
Net employee pension contribution			£96
Employee net pay estimate			£2,191

Notes

- 2020/21 UK tax, National Insurance and auto-enrolment pension rates used
- Pension deduction and method of tax relief will depend on scheme details: relief-at-source method used in example
- Student loan deductions not included
- PAYE calculation assumes standard tax code of 1250L



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