

Phase 2 Co-funded Payroll Scheme - Frequently Asked Questions

The Application Process

Q. When can I make an application to the scheme?

Applications can be made during these periods: • 1 May 2020 until 29 May 2020 (for April payroll) • 1 June 2020 until 30 June 2020 (for May payroll) • 1 July 2020 until 31 July 2020 (for June payroll)

Q. What information do I need to supply when I make an application?

You will need to provide the following information:

About your business:

- Your name and contact details
- Business name and industry sector
- Bank details for payments

About your employee:

- Their name
- Their social security number
- Their gross pay for that month
- The amount that the business is contributing towards the pay of each worker

You will need to upload a file or input data with details of each worker you are making a claim for or type in the details line by line. You will also need to complete a declaration confirming your eligibility for the scheme.

Q. How do I know which SIC code my business activity falls under?

You will be able to select the correct SIC code from a drop-down list when you complete the online application form. If the business has various activities, you should pick the one that represents the majority (51% or more) of your normal trade. If you are a charity registered with the Jersey Charity Commission, you will need to select 'Miscellaneous' and then 'Registered with the Jersey Charity Commission'.

Q. If I make my claim on 1 May 2020, when will the payment be made?

The Government will make payments as quickly as possible. Claims will be processed within 5 working days although some will take longer if more information is required. In the first week of May there are a number of Bank Holidays. Although civil servants will be working over these holidays to process the claims, how long the payment takes to reach you will depend on your bank. The result of this will mean that it may take slightly longer in May for payments to reach your bank account.

Q. What information will be published about my business's application?

The Government of Jersey will periodically publish appropriate information in respect of businesses which have claimed under the scheme. For businesses, this may include the name of the business, number of employees claimed for and the total amount claimed.

Q. Can I agree with my employees that I pay them after I have received the Phase 2 subsidy?

No. The Phase 2 subsidy is always a refund. Your wages must be paid out before you claim. The Government may contact employees, to check if wages have been paid.

Q. What costs are covered in phase 2?

The scheme will apply to wage costs based on the normal weekly or monthly pay for the worker. It will apply in the same way to the business owner, self-employed and sole traders.

In phase 2, from 1st April to 30th June, the scheme will:

- Pay 80% of monthly payroll costs to a maximum of £1600 per worker
- If the business cannot afford to contribute the full 20% towards its payroll costs because of severe and current cash flow problems, it may be eligible for a special exemption which will enable it to pay only the value of the subsidy to up £1600 per worker per month.

Eligibility for Businesses

Q. What is material detriment?

To apply for this scheme your business must have experienced material detriment due to Covid 19 restrictions. Material detriment is a **30% loss in turnover** during the relevant period.

Q. When assessing material detriment for a company, does 'turnover' just include the sale of products and services or does it include other operating income, such as rental income, interest etc.?

Turnover is the total operating income including income from trading and any other sources of income that the business may have. This includes (and is not limited to): the sale of products and services, commission receipts, business rental income, business bank interest or other business investment income, and payments received from business disruption insurance.

Q. What happens if the circumstances of my business change next month or in the following months. Will the Government expect me to pay back any of the support received through this scheme?

No, each month of the scheme requires a separate application and will be judged on its own merits in accordance with the Guidance. If your turnover increases in the future in subsequent months, then this will not affect your original claim.

Q. The impact of COVID-19 may not affect my business until later in the year because I have existing contracts – but these may not continue or be renewed. Will I still be eligible for Phase 2 support?

Your business will only be eligible for Phase 2 support if the turnover in the month you are claiming for is affected.

Q. My business is behind on paying its Social Security contributions, can I still apply for this support?

Yes, providing you have still submitted the quarter A 2020 Social Security schedule.

Q. Does having a business disruption insurance policy exclude me from the scheme?

No. The scheme requires that if a business holds business disruption or similar insurance, it is obliged to pursue the claim – it is appreciated that the insurance claim may not be settled before claiming

for payroll support. Having an insurance policy does not preclude a business applying for payroll support.

Q. If the business receives funds from an insurance claim for business disruption insurance that doesn't cover the payroll costs, will it have to pay back any support received?

If in due course, a business receives a payment from a business disruption insurance claim, the funds paid back to the business should be considered as turnover for the material detriment test.

If, as a result of receipt of a payment from an insurance policy, the business would have not met the material detriment test (30% loss of turnover in the relevant month), they are required to contact CLS to discuss their claim.

Q. If a pre-primary education and child day-care activities business is charging fees to parents of children, are they eligible for the scheme?

Businesses conducting pre-primary education and child day-care activities will not be eligible for the scheme if they are charging fees to parents of children who are no longer receiving a service in the qualifying month.

Further questions about this area should be directed to ceys@gov.je

Q. What are the special eligibility conditions for legal, accountancy and bookkeeping businesses?

Conditions apply to the eligibility of businesses in phase 2 that are undertaking legal activities, Accounting, bookkeeping and auditing activities, tax consultancy and regulatory and compliance activities.

These businesses will be eligible to apply if they have:

- less than 30 employees (total headcount)
- pass a test concerning **predominantly local work**

For legal activities, firms will be required to conduct “predominantly local work” in order to be eligible. Predominantly Local Work means “Over 75% of the firm’s normal practice is in the area of local conveyancing, probate, family, criminal and employment law or providing legal advice to local individuals or businesses.” For the avoidance of doubt, advice to financial services clients and commercial litigation is not considered “local work”.

For accounting, bookkeeping and auditing activities; tax consultancy; regulatory and compliance activities “predominantly local work” means providing services (75% or more) to Jersey registered businesses or local residents.

Q. In considering the relevant SIC Codes for my business, I noted that [the SIC Code list on www.gov.je](#) was updated when the Guidance was published. Whilst it is noted that Construction had been announced as being included, the list states this will exclude businesses that work on an open Government site and/or applied for a permit to work during Stay at Home and Social Distancing. How can this work in practice?

The Government have considered this position further. All construction businesses will be considered as included for the purpose of being an eligible industry for the scheme – regardless of whether some employees are able to work or not; while activities in construction SIC Codes continue to qualify for the scheme. It is noted that the business will still need to demonstrate material detriment due to COVID-19 (30% drop in turnover in the relevant month). Therefore, if you are a construction firm with most employees working at a near normal level, the material detriment test will not be likely to be passed.

The Government will keep this position under review for claims under the scheme for the months of May and June depending on public health advice.

Q. Organisations in receipt of a Government Grant (excluding Government Arm's Length Organisations (ALOs) are defined in the [Public Finances Manual](#), if I am not an ALO and I am in receipt of a Government Grant, am I still entitled to payroll support?

Yes. The Guidance excludes ALOs with grants of over £75k per year. There is no restriction if an organisation is not an ALO within the definition included in the Guidance and Public Finances Manual). The organisation may therefore apply for payroll support. However, if an organisation is also in receipt of Government grants, information on its payroll support will be considered by relevant Government departments in future grants processes.

Eligibility for individual sole-trader and employees

Q. Which of my employees is supported by the scheme?

Business will be able to receive a co-funding payment for staff that have been retained in employment during the relevant period:

- The scheme will cover employees who were named on the Social Security contribution schedule for March 2020
- It is available to both full-time and part-time workers and includes those employed on a fixed-term contract, and zero-hour workers who were paid during the relevant period.
- Agency workers in a placement are excluded from the scheme.
- There are no age restrictions on the employees that can be claimed for under the scheme.
- The scheme is not available to employees with gross earnings of more than £4558 a month.

Q. Can I claim for an employee who has a red Social Security card?

Yes, if they were on your Social Security contribution schedule in March 2020.

Q. Can I claim if I have a red Social Security card?

Yes, for Phase 2.

Q. Can I claim for an employee who is over 65?

Yes, there is no upper age limit for employees.

Q. Can I claim if I am over 65?

Yes, there is no upper age limit for self-employed people

Q. I have a Small Income Exception in 2020 so I don't have to pay contributions, will I still be eligible?

If you are registered as Class 2, it doesn't matter whether you have a Small Income Exception for your Contributions. You will still be eligible to apply for Phase 2 support.

Q. The Phase 1 maximum earning limit was £10,000 per month. Why has this changed?

For Phase 2, the maximum earnings limit is £4,554 per month in the relevant month. This is the Standard Earnings Limit (SEL) used for Social Security contributions. Phase 2 also extends support to a much wider range of businesses and provides additional support to the worst affected businesses. Setting the Phase 2 earnings limit helps to ensure that subsidies are available to all those employees who need them the most.

Q. If an employee was made redundant but the business can now re-employ them, will their costs be supported?

Yes. If an employee was made redundant because of the disruption caused by Covid-19 a business would be able to claim for these people if you re-employ them. The relevant employee must still be listed on the March Social Security contribution in order to be claimed for.

Q. Are employees who are/were on maternity or parental leave for the whole of March 2020 covered by the scheme?

Yes, an employee returning from maternity or parental leave in April (or other subsequent month of the scheme) is able to be included, as long as they have been included on a previous schedule with the employer, and there is written evidence dated before 1 March 2020 of a planned return to work in the relevant month. This information will be required to be provided to CLS before the claim is paid.

Q. Are employees who are/were on sick leave for the whole of March 2020 covered by the scheme?

Yes, an employee returning from sick leave in April (or other subsequent month of the scheme) is able to be included, as long as they have been included on a previous schedule with the employer, and there is written evidence dated before 1 March 2020 that there was a planned return to work in the relevant month. This information will be required to be provided to CLS before the claim is paid.

Q. Are employees who are/were on unpaid leave for the whole of March 2020 covered by the scheme?

Yes, an employee returning from unpaid leave in April (or other subsequent month of the scheme) is able to be included, as long as they have been included on a previous schedule with the employer, and there is written evidence dated before 1 March 2020 that it was previously intended (dated before April 2020) that they would return to work in the relevant month. This will information will be required to be provided to CLS before the claim is paid.

Q. If a new employee signed an employment contract before April but was not able to start work until April, can they still be included within my claim?

You are permitted to claim for a replacement worker to be included in a relevant (and subsequent) month, with written evidence of a (i) contract having been agreed before 1 April 2020, and (ii) the

replacement worker having worked in Jersey in February or March 2020. This may be checked with their previous employer.

Q. If I employ someone who works under 8 hours a week, am I able to claim under the scheme?

Yes, however, they will not appear on the Social Security Contribution Schedule for March 2020 as you are not required to declare them or make contributions on their behalf. Therefore, additional evidence will be required that they have been employed with your business. Such evidence may include payslips for January, February and March 2020 which will have to be submitted by e-mail before your claim can be processed and payment can be made. This may increase the time for processing your claim.

Q. If my employee is in the severely vulnerable category and is required to be shielded, can they be included in my claim to the payroll scheme?

Yes, workers identified as “severely vulnerable” by public health guidelines can be included in your claim to the payroll scheme.

Eligibility of Household as Employer – Tax related questions

Q. Under the household as employer scheme will I be taxed on the funding I receive under the co-funded payroll scheme?

No – the scheme requires that the full amount received is to be paid to your household employee, with the usual ITIS and/or social security deductions. The employee will need to include wages they receive from you through this scheme on their tax return as employment income.

Q. Can I claim Child Care Tax Relief on my personal income tax return on payments to my accredited Nanny funded through the co-funded payroll scheme?

No – you may only claim for the payments you fund yourself.

Q. I employ a cleaner to clean my whole property. I claim as a tax expense the appropriate portion of their wages against taxable profits arising from the part of my property that I let out. Where their wages have been funded through the co-funded payroll scheme can this be claimed against the income received?

No – you may only claim tax relief for wages expenditure against rental income that you have funded personally.

Self Employed

Q. I’m self-employed, can I apply to the scheme

The scheme will include self-employed people including sole traders and partnerships. Phase 2 income will be assessed on the average gross monthly earnings in 2019. The scheme is not available for individuals with total gross income of more than £8884 a month.

Q. I work with a partner in the business, can they claim as well?

Yes, you can claim together or separately on the online application form

Q. I am behind with payments for my Social Security Contributions from this year, 2019 or earlier. Can I still claim Phase 2 support?

Yes, you are eligible to apply for phase 2 even if you are behind paying contributions.

Q. Can I get support from Phase 2 if I received Contribution Credits through Home Responsibility Protection (HRP) in March 2020?

Yes, if you were self-employed and registered as Class 2 in March 2020 you are eligible to apply for Phase 2 even if your contributions were covered by HRP credits.

Q. I am self-employed with part-time income, but I also have a job and pay my contributions through my employer under Class 1. Can I get support for my self-employed income?

No, if you are not registered as Class 2, you will not be eligible to claim for yourself as self-employed regardless of what proportion of your income comes from this work. As your contributions are covered by Class 1, your employer may be able to claim for you as an employee.

Q. I am self-employed with part-time income, but I also had a job and was paying my contributions through my employer under Class 1. However, my employer has made me redundant. Can I now get support for my self-employed income?

No, if you are not registered as Class 2, you will not be eligible to claim for yourself as self-employed regardless of whether your employment continues. The scheme does allow for your employer to re-employ you and claim for Phase 2 support if you were made redundant because of Covid-19 disruption so we recommend speaking to your employer.

Q. I am the director/owner of a limited company and receive my income through the repayment of a director's loan. Am I eligible for Phase 2 support?

No. The scheme is designed to support direct payroll cost to employees.

Q. What happens if the circumstances of my self-employment change next month or in the following months. Will the Government expect me to pay back any of the support received through this scheme?

No, each month of the scheme requires a separate application and will be judged on its own merits in accordance with the Guidance. If your turnover increases in the future in subsequent months, then this will not affect your original claim.

Q. The impact of COVID-19 may not affect me until later in the year because I have existing contracts – but these may not continue or be renewed. Will I still be eligible for Phase 2 support?

Your business will only be eligible for Phase 2 support if the turnover in the month you are claiming for is affected.

Q: If you are self-employed, how are you required to prove that you are trading?

You must have a business licence issued prior to 1 April 2020 and valid during the relevant month.

Q. I wasn't trading in March 2020, but I am trading now – can I still apply?

Yes, however you will need to provide evidence that you were not trading in March 2020 due to parental/ sick/unpaid leave. You will have to provide additional written evidence to confirm that your business activities were intended to resume in the relevant (and subsequent) month.

Q. What if I have started a self-employed business in 2020 and have no comparable earnings? Can I still apply?

Yes, however your earnings will be calculated against the figure used by Social Security for the Start-up contribution scheme – this is £18,232 per annum.

Q. When assessing material detriment as a sole trader or partnership, does 'turnover' just include the sale of products and services or does it include other operating income, such as rental income, interest etc.?

Turnover is a person's trading income before deducting any allowable business expenses. This includes (but is not limited to) income related to the sale of products and services, commission receipts and payments received from business disruption insurance. Accruals accounting must be used for turnover calculations.

The business owners' other sources of personal income such as personal property income, pension or investment income should not be included in turnover for this purpose.

Definitions and calculations relevant to "income" for self-employed workers

Q. How should "average monthly gross income" be defined for the purposes of the subsidy that is claimed

Average monthly gross income includes:

- Any amount paid to the self-employed person by way of wages, salary, fees, bonuses, commission, overtime pay
- dividends paid by a company of which the person is a shareholder, where the income of the company is derived from the person's self-employment
- distributions made by or drawings from a partnership in which the person is a partner
- business profits (a business' trading income after deducting allowable business expenses) for a sole trader

Q. How should "average monthly gross income" be calculated for the purposes of the subsidy that is claimed?

Average monthly income should be calculated by taking your annual income from the sources identified above and dividing it by 12 to reach a monthly amount. These amounts will be linked to your 2019 income declared for tax purposes. This is identified as follows:

- Your confirmed average monthly gross income for 2019 that will be or has already been included on your 2019 tax assessment
- If you do not yet have a confirmed gross income for 2019, your average monthly gross income as confirmed on your 2018 tax assessment, if this is likely to be a reasonable estimate of your 2019 income.

- If you do not yet have confirmed gross income 2019 and your income changed significantly between 2018 and 2019 (up or down), use an estimate of your average monthly gross income the 2019
- If you did not start trading until 2020 please use the Social Security start-up contribution rate of £1,519 as your average monthly gross income for 2019
- It should be noted that for many workers the difference between 2018 and 2019 may not change the subsidy they are able to claim as they may already qualify for the maximum subsidy of £1,600, based on earnings of £2,000 (assuming these are below the upper earnings limit for the scheme of £8,884 per month).

Social Security

Q. Can I still defer my Class 1 Social Security contribution payments if I claim Phase 2 support?

Yes, you can apply for Phase 2 support and defer your Social Security contributions payments for A and B quarters in 2020 (payments normally due in April and July) by 12 months if your business has less than 80 employees. For businesses with more than 80 employees, you will need to apply to CLS for a deferment. All businesses who can maintain their usual payment schedule or a reduced payment schedule, without putting their business at risk, or laying off staff, are asked to continue making payments. Any business or individual who is entitled to defer payments will retain a full contribution record during this extended payment period. However, you must continue to deduct primary Class 1 contributions from the salaries of your employees, regardless of whether you are deferring payment to Social Security.

Q. Does the business still need to submit Social Security returns?

Yes, it is essential that you continue submitting your Social Security contributions schedule so you can access the Phase 2 support, regardless of whether or not you're deferring contributions payments. For A quarter the deadline was 15 April 2020 and for B quarter it is 15 July 2020. You will only receive a payment if you have submitted your A quarter schedule.

Q. If my business defers the Social Security Class 1 contributions payments would my employees' eligibility to Social Security contributions be affected?

No, personal Class 1 contribution records will not be affected by deferring payments

Q. Can I still defer my Class 2 Social Security contribution payments if I claim Phase 2 support?

Yes, you can claim Phase 2 support and defer your Social Security contributions payments for A and B quarters in 2020 (payments normally due in April and July) by 12 months if you pay Class 2 contributions. However, anyone who can maintain their usual payment schedule or a reduced payment schedule, is asked to continue making payments if they can.

Special Exemption Scheme

Q. The Guidance for the Special Exemption states as follows "Employees should not suffer hardship as result of being disadvantaged twice, firstly due to contractual reductions arising from hour or pay rate negotiations, and secondly through their employer not meeting the full 20% of payroll costs".

Does this mean employers will not be eligible for the special exemption scheme if they have reduced hours/rates of pay in April?

As well as helping businesses, this Scheme is intended to support workers' incomes at as close to pre-COVID-19 levels as possible.

In circumstances where a business qualifies for the special exemption, employers may already have negotiated a reduction in an employee's hours (subject to employment and contract law provisions) to relieve the business's cash-flow constraints. This will not automatically exclude them from applying for the special exemption scheme.

The Government expects employers to contribute as much towards their payroll cost as they can afford. However, where a business is not able to pay the full 20% employees should not suffer hardship by being disadvantaged twice. Firstly, due to contractual reductions arising from hour or pay rate negotiations, and secondly through the employers not paying 20% of payroll costs. Instead employers should utilise the scheme to ensure that those on the lowest wages are least affected and employees receive wages, in line with the scheme guidelines, that are as close as possible to their pre-COVID-19 wages. For example, a business could achieve this result by renegotiating with their employee to remove any reduction in hours that is no longer necessary because the special exemption scheme places less pressure on the business's cashflow.

Q. What declarations are required to be made under the Special Exemption scheme

You will be required to make a series a declarations which can all be found in the form, or in the User Guide on how to complete a form. These will both be published on www.gov.je from 1 May 2020.

Q. What additional information is required at point of application for the special exemption scheme?

The following additional information will be required:

- i. Details of all funds removed from the business through dividends, drawings, loans or other means since 31 December 2019
- ii. The amount that you are contributing towards the wages of each of your employees and the amount you are claiming from the scheme

Q. What information will be required, upon request, for audit at a later point in time regarding an application under the special exemption scheme?

The following are examples of the type of information that would be requested – this list is non-exhaustive:

- i. Bank statements to demonstrate cash reserves, income and expenditure
 - i. Correspondence with business owners discussing potential business owner investment or returning previous dividends, drawings or other funds paid to business owners by the business
 - ii. Correspondence with debtors owing to the business
 - iii. Correspondence evidencing discussions on deferrals in overheads (i.e. rental cost of premises, options with mortgage lender, discussion with utilities companies and other creditors)

- iv. Correspondence evidencing consideration of obtaining approved lending – particularly considering the Business Disruption Loan Scheme
- v. There will also be the requirement to file pro-forma cash-flow forecasts in line with paragraph 34 of the Guidance.

General Questions

Q. My income in 2019 was much higher than £2,000 per month, can I get any more money?

No, the maximum subsidy available under this scheme is £1,600 per month per worker (80% of £2,000).

Q. Will I have to declare my Phase 2 support as income and pay tax on it?

Yes, it will be treated as business income for 2020 (Schedule D Income for the purposes of income tax)

Q. Will this subsidy affect my Income Support?

Yes, if you claim Income Support, this Phase 2 support will affect your Income Support claim. You must let the Income Support team know immediately if you receive a payment for Phase 2 support. The support will be treated as earnings for income support purposes.